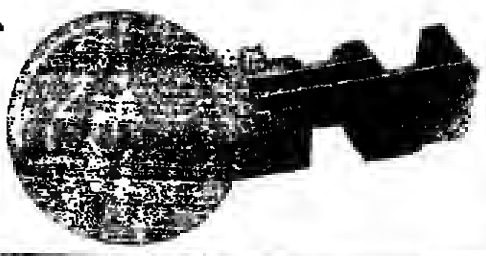
FINANCIAL TIMES



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World Business Newspaper
TUESDAY NOVEMBER 28 1995
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UK Court of Appeal backs convictions in Guinness case

The conduct of UK ministers and fraud prosecutors over the Guinness affair was vindicated when Britain's Court of Appeal upheld the convictions of four City of London figures found guilty of organising the fraudulent share support operation behind the drinks company's 1986 takeover of rivals Distillers. The court said the jury in the Guinness trial was "well justified" in convicting the four, rejecting claims that their 1990 trial had been unfair. Page 12

China to introduce tax changes: China plans new taxes for foreign-funded ventures, but has yet to decide on the date of their introduction Foreign Trade and Economic Co-operation deputy minister Sun Zhenyu said. Page 18

Stream International, a US leader in computer support services is to invest £6m ($9.36m) creating 500 jobs at a call centre in Londonderry, Northern Ireland. Page 10

French crack down on hypermarkets: Tough measures to control French out-of-town hypermarket developments were announced by the government as part of a package to help small and medium-sized companies unveiled by prime minister Alain Juppé. Page 18

Clash holds up 'Euro-Med' pact: Last-minute disagreements held up the launch of the partnership between the EU and 12 Middle Eastern and North African nations, as Arab states clashed with Israel over its presumed possession of nuclear arms. Page 6

Minorco buys BTR unit: International natural resources group, Minorco, bought BTR's British aggregates business for £330m ($521m). It plans to integrate Tilcon Holdings with its European industrial minerals activities. Page 19; Lex, Page 18

German bourses' merger nears: Germany's leading stock exchanges – Frankfurt, Düsseldorf and Munich – are close to completing merger plans, with an agreement expected around the end of the year. Page 19

French rail scheme approved: The French government said it will allow rail workers to maintain a special retirement scheme in an attempt to resolve a strike which has crippled rail traffic since last Friday. Page 3

Call for halt to Russian privatisation: Three of Russia's top banks called on the government to halt its "ill-prepared and questionably organised" privatisation scheme and accused one of Russia's top 10 banks of illegally benefiting from it. Page 18; Yeltsin leaves hospital, Page 2

Fokker, the Dutch aircraft maker, has won an order from Transportes Aéreos Regionais of Brazil for an additional five aircraft, taking the number of aircraft ordered this year by the Brazilian regional airline to 18. Page 4

Lufthansa, German airline, posted almost static pre-tax profits at DM506m ($716.5m) for the first nine months. Page 20

Shareholders sue Daiwa bank: Shareholders of Daiwa Bank, which is under instruction to curb overseas operations and has been ordered to withdraw from the US, filed a lawsuit against the bank's executives, seeking damages of $1.1bn. Page 7

Nintendo, Japanese video games company, boosted recurring profits and its dividend in the first half of the year despite a 19 per cent decline in sales, from Y166.1bn to Y135.2bn ($1.33bn). Page 23

Gadaffi agents blamed for London killing:

Libyan opposition group, the National Front for the Salvation of Libya, accused agents of Colonel Gadaffi's government agents of killing a founding member, Ali Mehmed Abuzeid (left), who was found stabbed to death at his London grocery shop. British police were playing down reports that he was the victim of a hit squad although they confirmed Mr Abuzeid had told neighbours of a plot to kill him.

Tamils fight to hold Jaffna: Tamil Tigers summoned reinforcements for a stand in Jaffna against Sri Lankan troops. At least 55 guerrillas and 12 soldiers were killed in fighting in the area.

Correction: The headline on an item in this column published on Saturday about the looting of UN bases in the Bihac area by Bosnian government troops incorrectly attributed the incident to Serbian soldiers.

STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	5,085.33	(+36.49)
NASDAQ Composite	1,033.53	(+3.36)
Europe and Far East		
CAC40	1,889.78	(-1.19)
DAX	2,238.10	(+39.94)
FT-SE 100	3,649.0	(+25.0)
Nikkei	18,543.14	(+327.91)

US LUNCHTIME RATES

Federal Funds	5¾%
3-mth Treas Bills: Yld	5.469%
Long Bond	109½
Yield	6.216%

OTHER RATES

UK: 3-mo Interbank	6½%	(6⅝%)
UK: 10 yr Gilt	106⅜	(106)
France: 10 yr OAT	106.52	(105.98)
Germany: 10 yr Bund	102.17	(101.76)
Japan: 10 yr JGB	113.786	(113.876)

NORTH SEA OIL (Argus)

Brent 15-day (Jan)	$17.075	(16.79)

GOLD

New York Comex		
(Dec)	$384.9	(382.1)
London:		
close	$383.7	(383.6)

DOLLAR

New York lunchtime		
£	1.55	
DM	1.438	
FFr	4.9265	
SFr	1.159	
Y	101.8	
London:		
£	1.5517	(1.5608)
DM	1.4358	(1.4185)
FFr	4.9248	(4.8722)
SFr	1.1567	(1.1412)
Y	101.91	(101.345)

STERLING

DM	2.2279	(2.2108)
Tokyo close:	Y 101.55	

Austria	Sch35	Greece	Dr400	Malta	Lm0.60	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$20	Morocco	MDh15	S.Arabia	SR11
Belgium	BFr75	Hungary	Ft215	Neth	Fl 4.25	Singapore	S$4.30
Bulgaria	Lv110.00	Iceland	IKr220	Nigeria	Naira90	Slovak Rp	Sk80
Cyprus	C£1.10	India	Rs75	Norway	NKr18.00	S. Africa	R12.00
Czech Rp	Kc55	Israel	Shk7.50	Oman	OR1.50	Spain	Pta250
Denmark	DKr17	Italy	L3300	Pakistan	Rp40	Sweden	SKr17
Egypt	E£5.00	Japan	Y500	Philippines	Peso50	Switz	SFr3.60
Estonia	EKr30	Jordan	JD1.50	Poland	Zl4.20	Syria	S£50.00
Finland	FM15	Kuwait	Fils625	Portugal (m'land)	Es230	Tunisia	Din1.500
France	FFr11.20	Lebanon	US$1.50			Turkey	L60.000
Germany	DM3.80	Lux	LFr70			UAE	Dh12.00

Kinnock in row with Brussels

1999 'unrealistic' date for monetary union

By Caroline Southey and Lionel Barber in Brussels

Mr Neil Kinnock, the European transport commissioner, has broken ranks with the Commission on two important policies, suggesting that 1999 is an unrealistic start-up date for monetary union and that the present enlargement strategy ought to be scrapped.

Mr Kinnock's comments caused consternation in Brussels where the political establishment has fought hard to keep faith with the target date of 1999 for EMU and with the EU's commitment to extend membership to eastern and central European countries.

The row broke as EU finance ministers reached broad agreement on the changeover to a single European currency on issues relating to the transition. But German proposals for a "stability pact" to enforce budgetary discipline for monetary union, including draconian fines, met with a cautious response.

A senior Commission official said Mr Kinnock's comments were "less than helpful" while Mr Jacques Santer, president of the European Commission and Mr Yves-Thibault de Silguy, commissioner for economic affairs said after a meeting of finance ministers in Brussels: "The single currency will be there on January 1, 1999, and it will be a currency in its own right."

In the speech, delivered in the UK on Friday, Mr Kinnock said he was expressing the "views of a Commissioner and not the views of the Commission."

"The prospect of monetary union – not in 1999 by the way, that is still unrealistic in my view, just as 1997 has been – should not, of course, be approached fatalistically," he told the Siemens management forum.

Mr Kinnock called for a "more flexible transition process" towards monetary union and a "broadening" of the convergence criteria.

"I continue to believe that employment, investment and productivity should be taken into account, if not as formal criteria then as measurements of real strength." While supporting the EU's intention to offer full membership to 10 central and eastern European countries, Mr Kinnock dismissed the EU's current strategy, calling instead for the west to "take an approach to the east that is similar to that taken towards the war-ruined economies of Europe in the 1940s and 1950s".

He contrasted the policy then – suspension of full currency convertibility for ten to 12 years, a mixture of protection and import promotion, state-funded reconstruction of basic industries and $300bn grant aid over four years – with the current rush towards currency convertibility, a commitment to free trade with little or no demands on industrial policy and total aid, given or committed, of about $85bn since 1989.

He accused the EU of "producing the worst of both worlds" by "continually holding out the prospect of enlargement whilst not doing enough to make it really feasible.

The EU should stop stimulating "the maximum of unrealistic expectations in the east whilst fostering the maximum of unnecessary fears in the west".

Instead the EU should "say honestly that the prospect of membership is very distant and then tell them we would like to implement a different approach –

Continued on Page 18
Progress made on single currency, Page 2

Proposal to extend works councils in Europe

By Robert Taylor, Employment Editor

The European Commission is likely to face renewed opposition to its employment policy agenda after proposing that more companies inside the European Union should have a consultation and information committee for their employees.

The proposal, made in a confidential communication sent to EU member governments, the European Parliament, employers and trade unions, will horrify European employers by re-opening an old controversy which they believed had long been settled. But trade union officials are already privately expressing enthusiasm about it.

It could eventually involve the introduction of European-level legislation to impose such bodies on companies, if agreement cannot be reached through a dialogue between employers and trade unions. The legislation would apply in all EU countries except the UK because of its opt-out from the social chapter of the Maastricht treaty.

The commission's proposal comes just over a year after an EU directive was passed that required works councils to be set up in large transnational companies with 1,000 workers and at least 150 in two member states.

The commission believes the directive is already "virtually a total success" and is now keen to extend the worker consultation principle. Mr Padraig Flynn, the European social commissioner, is resurrecting debate over controversial proposals on worker involvement and consultation published 25 years ago. These include the so-called fifth directive on worker participation at company board level and the Vredeling directive that involved widespread worker consultation.

"The commission believes the blockage of its proposals for many long years is damaging to the image of the union and to the interests of citizens and European businesses," Mr Flynn said. He added: "Now it has been shown to be possible and even

Continued on Page 18

Balanced budget more important than seeking White House, says Speaker

Newt Gingrich: not seeking the White House but hinting at a pivotal role in deciding who will be the Republican challenger — Picture: Reuter

Gingrich rules out bid for presidency next year

By Jurek Martin in Washington

Congressman Newt Gingrich, the Speaker of the US House of Representatives, declared yesterday he would not mount a challenge for the presidency next year because he thought a balanced budget was more important than seeking the White House.

But he continued to tantalise Republicans by refusing to endorse any other candidate and by speculating that the race for the party's presidential nomination might not even be decided before next August's convention. He added pointedly that he hoped to be asked to chair this event.

Mr Gingrich began his remarks at his constituency office outside Atlanta, Georgia, by saying clearly enough: "I will not run next year for president." But unlike General George Sherman, who burned Atlanta during the Civil War and later announced that under no circumstances could he be inveigled into the Oval Office, the balance of many of the Speaker's subsequent comments was equivocal.

He dismissed questions that his own falling popularity during the budget impasse with the Clinton administration was a factor in his decision.

But he typically gave an historical dimension to staying out of the race. The balanced budget battle over the next three to six weeks – or "however long it takes" – was "one of the most important decisions we've made in domestic government for the last 60 years and I think it's important to focus on it".

Mr Gingrich conceded that "looking at the daunting challenge of trying to organise a nationwide campaign I didn't see how I could be Speaker and be in a position to mount a campaign on that scale."

That could be seen as something of a crack at Senator Bob Dole, who is trying to juggle the simultaneous responsibilities of being majority leader and Republican front-runner. But Mr Dole showed the two were not incompatible yesterday by picking up the valuable endorsement of Governor Tommy Thompson of Wisconsin.

Mr Gingrich thought the odds were "even money or better" on any Republican ousting President Bill Clinton next November. But he thought it could be "one of the wildest presidential campaigns we've had in some time," with as many as five different candidates on the ballot, possibly including a moderate Democrat, the Rev Jesse Jackson, on the left, and Mr Ross Perot's party.

Mr Gingrich's ranking of the Republican field had Mr Dole "clearly in the lead", Senator Phil Gramm of Texas and former Tennessee governor Lamar Alexander "very close behind", with candidates such as Mr Steve Forbes, the magazine publisher, capable of making things "interesting".

He was naturally glad that all of them "are pretty much talking about all the things that I would talk about" in a candidacy. But if he were named convention chairman, Mr Gingrich said, it was important that he remained neutral.

That could be interpreted as a warning that he expected to be acknowledged as kingmaker, not a prospect which necessarily appeals to Mr Dole. Conventional political wisdom is that the majority leader, having moved to the right in pursuit of the nomination, will need to go back to the centre, thus deserting Mr Gingrich, in order to win the White House.

The Dole response yesterday to the Gingrich announcement was typically terse. "I don't think it will have any impact. I wish him well."

Clinton begins Bosnia hard-sell, Page 8

Finnish lift group uncovers deliberate accounting errors

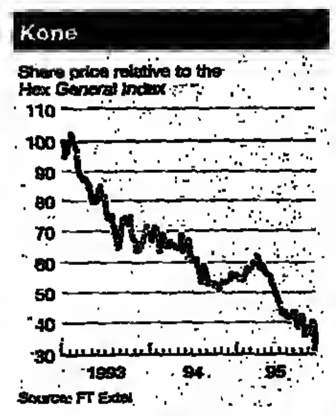
By Christopher Brown-Humes in Stockholm

Shares in Kone plunged 17 per cent yesterday after the Finnish lifts group warned that a large part of its expected 1995 profit would be wiped out by the discovery of what it claims are deliberate accounting errors at its Italian unit.

The setback comes as Kone, the world's third largest lift producer, continues to face intense price competition as a result of overcapacity and weak construction activity in its main European markets.

Kone says it is heading for after-tax profits of less than FM100m ($23.7m) in 1995, about half the market forecast and well below last year's FM257m. Its shares plunged more than FM80, but later recovered to close FM66 lower at FM320. Before yesterday, the shares had fallen 60 per cent since early 1993.

Mr Anssi Soila, Kone president, said two of the group's senior Italian managers had, over several years, exaggerated the amount of business they were doing. Their actions had flattered profits and led to a balance sheet overvaluation of about FM150m. "We will correct this in this year's result," he added.



Source: FT Extel

Kone has sacked the managing director and controller of its Italian organisation. "They were trying to show a better result than was actually the case, but nothing has been stolen," Mr Soila stressed.

After a series of acquisitions, Italy has become one of Kone's most important markets, accounting for 12 per cent of group sales and 2,500 employees. The unit would still have been profitable, even if the accounts had not been massaged, Mr Soila said.

Kone has not been helped by falling prices for new lifts in Europe. Mr Soila said the price collapse was not so much a matter of "per cents, but tens of per cents" and it had hit many of the group's main markets, including Scandinavia, the UK and France.

Even in Germany, which has proved relatively robust, construction activity was weakening, Mr Soila noted. Europe accounts for about two-thirds of group annual sales of FM8bn.

The company has launched a tough cost-cutting programme to raise profits, saying that it does not expect the market to pick up soon.

Product ranges will be streamlined and four European factories – in the UK, the Netherlands, Germany and the Czech Republic – will close. The group is also trying to increase its maintenance work.

Kone, controlled by the Herlin family, last year bought Montgomery, the US lifts group, for $280m, partly to reduce its dependence on the European market. The move doubled Kone's share of the North American market to about 20 per cent.

In the first eight months, Kone's profits after financial items dropped 19 per cent from FM167m to FM136m.

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Progress made on EU single currency

By Lionel Barber in Brussels

EU finance ministers last night reached broad agreement on the changeover to a single European currency on January 1, 1999 which largely accommodates German concerns about giving up the D-Mark.

After a tough bargaining session in Brussels, ministers expressed confidence that a credible transition to the single currency, most likely to be called the Euro, will be endorsed at the EU summit in Madrid on December 15-16.

But German proposals for a "stability pact" for enforcing budgetary discipline for monetary union, including draconian fines, met with a cautious response.

Mr Pedro Solbes, the Spanish finance minister who chaired the meeting, said work would begin on turning "the pact into reality" based on a common EU approach.

Mr Yves-Thibault de Silguy, EU monetary affairs commissioner, raised questions about German proposals for a budget deficit of 1 per cent of GDP in a normal economic cycle. The European Commission will review whether the pact is compatible with the Maastricht treaty and whether it should be legally binding.

One of the most awkward issues at yesterday's meeting concerned the date when EU heads of government decida which countries meet Maastricht's entry criteria for monetary union, and the degree to which Germany trusts its partners to deliver accurate data rather than forecasts or quarterly results.

Ministers struggled to reconcile Germany's demand for rock-solid data for 1997 on government deficits, debt, inflation and interest rates – which may only be available as late as May 1998 – with an already tight Emu timetable.

Despita reservations from France and the commission, ministers agreed to a compromise whereby EU leadars would base their decision on the "most recent, reliable, and actual data" for 1997 "as early as possible" in 1998.

Mr Theo Waigel, German finance minister, mada clear this could mean a delay until spring 1998. But French officials said president Jacques Chirac may seek to challenge the wording at the Madrid summit. France's concern is to avoid slippage in the Emu timetable, but other diplomats said France wanted to settle whether it qualified for Emu before its March 1998 parliamentary elections.

The Commission will engage in a test-run in assessing economic data in 1995, with a second review in early 1996.

Ministers failed to resolve how to deal with German requests for discretion in the switchover of existing and future public debt to the new Euro-currency. But they agreed to introduce a new regulation enforcing equivalence between the single currency and national currency units.

France pressed for new domestic public debt to be issued in the single currency from January 1 1999. Along with the Commission and other member states, France is anxious to ensure the new currency reaches a critical mass so that the financial markets believe the switchover is credible. But Germany would like to stick with the D-Mark for as long as possible until the final switchover to Euro-notes and coins, which are dua to enter circulation in 2002.

Britain's Kenneth Clarke (left) talking to his counterpart from Luxembourg, Jean-Claude Juncker, during the EU finance ministers' meeting in Brussels yesterday AP

Wide-ranging package includes clampdown on hypermarkets

Paris backs small businesses

By Andrew Jack in Paris

The fact that Mr Alan Juppé, the prime minister, chose to unveil personally the French government's 34-point plan for small and medium-sized companies (PMEs) says something about the priority his administration is trying to give to the sector.

"Our objective is to place small and medium-sized companies at the centre of our economic policy," Mr Jean-Pierre Raffarin, minister for PMEs, commerce and crafts, said on Sunday.

In his office, putting the final tonches to yesterday's announcement, be said: "Everyone puts pressures onto them: big companies, retailers, the government. We want a re-balancing."

Tbe government's programme is more wide-ranging than many expected and recognises the need for public policy initiatives specifically to help PMEs. Figures prodnced by Insee, the national statistical institute, sbow that there were more than 2.3m companies with up to 500 employees in January this year, providing nearly 13m jobs.

For Mr Raffarin, France has long been characterised by its focus on large-scale strategies and enterprises. "All pnblic policy has been articnlated around big projects, from Arianne to Concorde via Airbus," he says.

He says the trend to large, state-controlled companies partly reflects a belief in the 1960s and 1970s in economies of scale. Others argue that it is the response of a long-standing French ambivalence towards private enterprise.

'Everyone puts pressures onto them: big companies, retailers, government. We want a re-balancing of things'

"Now we have a change, and we are in a logic of proximity and quality," says Mr Raffarin. "We realise that artisans are perhaps competitive. In a world where the economy is very mobile, small companies are very agile."

President Jacques Chirac made reforms to help PMEs a theme of his election campaign this spring, playing on his links to small businesses and shopkeepers in *la France profonde* (outside Paris).

It is little surprise that one of the central elements in the new plan is a renewed assanlt on bypermarkets. One of the most visible trends across the country in the last few years bas been the growth of out-of-town shopping centres – many with uninspiring architecture.

The development was often driven by local anthorities hungry for additional local taxes from the new retailers. Only more gradually has the negative impact on existing, small shops in town centres been realised.

Mr Raffarin said a moratorium on new development would be too inflexible. "A nuanced jndgment is required," he says. Instead, many more new plans will have to be submitted to planning commissions for approval.

Yesterday's plan goes far further than the retail sector, bowever. Mr Raffarin says smaller companies have been disadvantaged in other areas - such as construction – with large bnsinesses demanding unreasonable terms when they snb-contract work. One response will be to increase the powers of the state commission responsible for scrutinising prices to punish predatory pricing of products or services.

More generally, the proposals mix a series of measures to deregulate and rednce red-tape with new tax and other financial incentives. Mr Juppé proposed a restructuring of the state-administered Crédit d'Equipement aux Petits et Moyens Enterprises, to turn it into a "real" bank for small companies.

This would be accompanied by new resources to back Sofaris, an organisation which guarantees loans provided hy financial institutions.

He promised efforts to improve technology transfer and encourage innovation by small business, and to reshape export assistance to help provide better access for companies to foreign markets.

Mr Raffarin denies that the government's initiatives are in opposition to the operation of the free market. "I am not in favour of an administered economy to replace the contract of law," he says. "But the law must eradicate abuses."

London to host conference on Bosnia peace

By David White in Barcelona and George Parker in London

The international conference on implementing the Bosnia peace deal will be held in London on December 8 and 9, before the agreement is signed, Mr Malcolm Rifkind, UK foreign secretary, said yesterday.

The talks are due to include representatives of international organisations including the United Nations, Nato and European Union and Arab donor countries as well as the parties to the conflict.

Mr Carl Bildt, the EU mediator, warned European foreign ministers gathered in Barcelona for a Euro-Mediterranean conference that the international community still faced great challenges in making the peace deal stick.

Briefing the ministers on the accord initialled last week in Dayton, Ohio, Mr Bildt dismissed threats by Mr Radovan Karadzic, the Bosnian Serb leader, of further bloodshed. "We had expected dissenting noise," he said. "In fact there could have been more."

A formal signing is expected to taka place in Paris on December 13-14 – the week after the London meeting.

The London conference will tackle issues for the proposed 60,000-strong military Implementation Force, humanitarian aid, economic reconstruction and political institutions. This will include elections, which under the peace agreement are due to be monitored hy the Organisation for Security and Co-operation in Europe.

Mr Bildt, former Swedish prime minister, is thought likely to be named as the "high representative" responsible for overseeing the civilian part of implementation process.

The UK confirmed yesterday it would commit around 13,000 troops to Bosnia for 12 months, but only if the US also took part in the operation. Mr Michael Portillo, defence secretary, said he envisaged troops would be stationed in central and western Bosnia, now within the British area of operations.

Clinton hard-sell, Page 8

Di Pietro near to throwing hat into ring

By Robert Graham in Rome

Mr Antonio Di Pietro, the Milan magistrate who belped to bring down Italy's post-war political establishment, is on the verge of entering politics.

In a magazine article due out today, he says he is ready to participate in the next general election as part of a movemeut demanding a stable five-year government and proper reform of the state. He is careful not to commit himself to eitber of the two main alliances but shows an instinctive preference for the centre-right.

Commentators said Mr Di Pietro appeared to be positioning himself to fight for leadership of the centre-right in the wake of the judicial problems facing Mr Silvio Berlusconi, the former prime minister and founder of the Forza Italia movement.

Mr Di Pietro became popular for spearheading the anti-corruption drive four years ago, but resigned as a magistrate last December in as yet unexplained circumstances.

A Brescia magistrate is investigating allegations be was being blackmailed by important figures whom he was prosecuting for corruption. The magistrate is also investigating claims that Mr Di Pietro abused his authority, including allegations about his financial relations with a Milan businessmen involved in an insurance fraud.

After resigning, Mr Di Pietro started teaching in a university, denying any political ambitions as be was courted by both the centre-left and rightwing alliances. He has kept his distance from the parties, while raising his political profile through newspaper columns outlining his prescriptions for the ills of Italy. A discreet group of mainly Milanese backers have formed around him since the summer.

Recently he has beld several meetings with members of the centre-left alliance and its leader, Mr Romano Prodi. The centre-left believes Mr Di Pietro could attract votes in his native southern Italy and in the north allow the alliance to reject a deal with the unreliable Northern League of Mr Umberto Bossi.

Mr Di Pietro in today's article accuses the centre-left of indecision in shedding the hard-left and he identifies more with the centre-right which he says reflects the sentiment of the electoral majority.

But he attacks Mr Berlusconi for failing to resolve the conflict of interest between his role as a politician and his ownership of the Fininvest business empire.

Reformed Prague gets to join the club

Membership of the capitalist OECD grouping is seal of approval, write **Vincent Boland** and **Kevin Done**

The Czech Republic today becomes the first post-communist state in eastern Europe to sign an agreement to join the Organisation for Economic Co-operation and Development, the capitalist world's club. Membership gives a seal of approval to the Czech Republic's pro-market reforms and its recent economic turnround. It is expected to be followed by Hungary and Poland next year.

The Paris-based group, which began life as the overseer of the post-war Marshall plan, acts as a meeting point for 25 of the world's leading industrialised nations.

Mr Jozef Zieleniec, Czech foreign minister, and Mr Jean-Claude Paye, OECD secretary-general, are due to sign the agreement on the terms of entry in Paris today. The Czech Republic will become the 26th member of the OECD, once the treaty has been ratified by the parliament in Prague.

Although membership will not bring any tangible economic assistance, as the OECD is essentially a research body, it boosts Czech claims to be taken seriously as a core country within Europe.

The private sector share of the Czech Republic's gross domestic product is the highest in central and eastern Europe at about 70 per cent, according to the European Bank for Reconstruction and Development. The EBRD says that Prague has gone as far as any of the countries in the region both in large-scale privatisation and in the implementation of effective legal rules on investment.

In terms of small-scale privatisation and its trade and foreign exchange system it has already reached the standards typical of advanced industrial economies, according to the EBRD, although it still lags behind in areas such as enterprise restructuring, price liberalisation, competition policy and the reform of financial institutions.

OECD membership has been a primary goal of the conservative, free-market government of Mr Vaclav Klaus, the prime minister, this year. It has taken precedence over the country's bid to join the European Union and Nato, because it was seen as both attainable and justified, given the government's record of economic reform.

The last hurdle to membership was removed on October 1, when the Czech koruna took a significant step towards full convertibility. All restrictions on current account transactions were removed while the capital account was partly liberalised.

With restrictive fiscal and monetary policies, the Czech economy has been stabilised and since last year recovery has been gathering pace with GDP forecast to grow by more than 4 per cent this year and by more than 5 per cent in 1996. Inflation has fallen well below 10 per cent.

Membership of the OECD, coupled with an upgrading of the country's debt rating earlier this month by Standard & Poor's, the US agency, to "A-stable" – the highest in the region – is expected to prompt renewed interest from strategic and portfolio investors.

It will also allow the government to concentrate next year on pushing ahead with its goal of clarifying the terms of EU entry. Mr Klaus is due in January to submit the country's application to join the EU.

Nonetheless OECD membership still poses long-term questions for the country's economic development.

First, the ability of industry to compete abroad, which is already being severely tested, will be further tried unless a period of post-privatisation restructuring, now getting under way, picks up speed.

"We see the problem that some Czech industries have higher costs and prices for their products than goods coming from western Europe produced with expensive labour and other high costs," says Mr Stepan Popovic, president of the Czech Confederation of Industry and chief executive of Glavunion, the country's leading glass producer.

"The reason is the inefficiency of our industry. We say we have cheaper energy, raw materials and labour costs, but it is not so if it takes five Czechs to do the job of one in west Europe." The trade deficit has also widened sharply this year, partly because of a redirection of exports to meet rising domestic demand, but also partly because of a failure to invest in technology and modernisation.

The need for the further liberalisation of financial markets is also becoming more urgent. There is growing competition in the crowded banking sector and a realisation that local banks need to be bigger and stronger. The higher S&P rating means Czech companies will find cheaper borrowing routes abroad, leaving local banks vulnerable.

Capital markets regulation also needs to be strengthened. Foreign investors have frequently criticised the lack of transparency on the Prague stock market, one of the reasons for its current slump.

The most far-reaching question raised by OECD membership is how well the Czech economy will fare, as it becomes more integrated into the world economy.

Economic reforms to date have significantly removed overt state control from the economy. In some senses, however, it has been replaced by an equally controlled and restrictive system of ownership by a few key institutions, such as the banks.

This has led to the creation of an economic hierarchy that works reasonably well in a national context, but it may be inappropriate and insufficiently agile, when it comes to adapting to the global arena.

Lex, page 18

Czech Republic: on track to join OECD

Key indicators (% growth)	1992	1993	1994	1995	1996
Gross domestic product*	-6.4	-0.9	2.6	4.0-5.0	4.5-5.5
Industrial production*	-11.7	-5.3	2.3	6.5-7.5	5.0-8.0
Retail sales*	9.3	-2.1	5.5	5.0	5.0-6.0
Exports**	6.2	20.0	13.9	8.0-9.0	-
Imports**	40.5	2.7	17.8	18-20	-
Consumer price index	11.1	20.8	10.2	9.0-8.5	8.5-9.0

* in constant prices. ** excluding Slovakia
Source: Komercni Banka

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EUROPEAN NEWS DIGEST

German insider trade measures

The German stock market watchdog BAWe has ordered banks and brokers to file electronic reports on all securities transactions from January 1 1996 in an effort to clamp down on insider trading.

The system requires all German banks, foreign bank subsidiaries and brokerage firms to make individual reports on all transactions involving German- or European-listed securities and derivatives. The reports must identify the security, detail the price, time and volume of the transaction, specify if it was a buy or sell order, and whether it was made on behalf of a customer or the institution itself. These details will be collated on a central database and monitored by the BAWe, which is expecting to receive between 200,000 and 300,000 reports daily.

The BAWe was created at the start of this year to implement a range of tight new securities regulations, most notably an insider trading ban enforced in August 1994. Banks were informed officially of the order on November 24 and have until December 11 to suggest amendments before it takes effect in December. *Reuter, Frankfurt*

Yeltsin released from hospital

A month after suffering his second mild heart attack this year, Russian president Boris Yeltsin yesterday left a Moscow hospital and moved to a convalescent home some 20km outside the city. The move is in line with doctors' recommendations earlier this month thet Mr Yeltsin stay in hospital until the end of November. Mr Yeltsin'a heart attack has raised questions about the president's ability to rule Russia at a time of increasing political volatility.

Although yesterday's move suggests that Mr Yeltsin's health is improving, it is unlikely to assuage concerns that the president remains too weak to pose a strong challenge to the communist and nationalist politicians expected to dominate parliamentary elections next month. Mr Yeltsin's ill health has also diminished Russia's involvement in one of the most pressing concerns of international diplomacy, the Bosnian crisis. However, a presidential aide said yesterday that Mr Yeltsin might be well enough to attend the signing of the Bosnian peace deal, scheduled to take place in Paris in early December. *Chrystia Freeland, Moscow*

Moscow winter death toll up

The harshest months of the Russian winter are yet to come, but since freezing temperatures set in at the beginning of this month 139 people have already frozen to death in Moscow.

Officials said the ravages of nature were exacerbated by the heavy social toll of economic reforms, which have increased the number of homeless and seen a rise in stress-related behaviour such as heavy drinking. A spokeswoman for the Moscow health department said all 139 victims of the cold weather had been drunk. *Chrystia Freeland.*

Turkish TV board faces sack

Turkey's independent broadcasting regulators yesterday ordered the resignation of the chairman and board of TRT, the state radio and television company, accusing it of broadcasting government propaganda.

Mr Ali Baransel, head of RTUK, the radio and television regulator, said a speech by Mrs Tansu Çiller, the prime minister, broadcast on TRT last month violated the law by going beyond a statement of government policy to publicise her conservative True Path party's platform.

This is the first time the regulators, who are jointly appointed by the government and the opposition, have directly challenged the government, which also appointed TRT's top management. Their ruling is all the more controversial since it comes in the middle of a general election campaign in which Mrs Çiller is fighting for her political survival. The Islamic fundamentalist Refah party is leading in opinion polls, followed by the conservative opposition Motherland party, tied in second place with the True Path. *John Barham, Ankara*

SPD reinstates Schröder

Mr Gerhard Schröder was yesterday restored to his position as economic spokesman for the German opposition Social Democrats (SPD) after being sacked this summer for his outspokenness. Mr Oskar Lafontaine, voted new SPD party chairman this month, said Mr Schröder would take over as chairman of the party's important discussion forum with business leaders, replacing Mr Rudolf Scharping, the former SPD leader. Mr Schröder was removed by Mr Scharping for questioning the official SPD line on economic policy. Mr Schröder is on the party's right.

Mr Lafontaine's decision yesterday was a further sign of his intention to bind the SPD'a wounds and engage powerful potential rivals in the tasks of managing the party. Mr Schröder, who is prime minister of the state of Lower Saxony, enjoys popular support and has said be hopes to be the SPD challenger to Chancellor Helmut Kohl and his Christian Democrat-led government in the 1998 general election. *Andrew Fisher, Frankfurt and Peter Norman, Bonn*

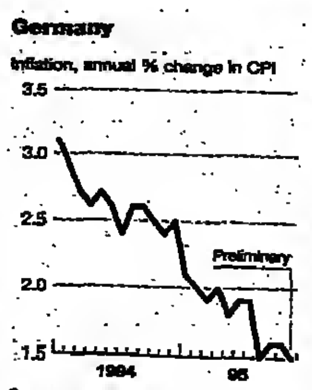
Belarus, Poland trade pact

Poland and Belarus will boost their bilateral trade by settling their accounts in Polish zlotys rather than in hard currency from the start of 1996.

Poland's prime minister, Mr Jozef Oleksy, said after talks with his Belarussian counterpart, Mr Mikhail Chigir, that the Belarus side had suggested using both national currencies but had agreed to adopt just the zloty. Mr Chigir visited Poland with a large delegation, including senior ministers and the central bank chief. *Reuter, Warsaw*

ECONOMIC WATCH

Western German prices stable



Source: Datastream

The cost of living in western Germany beld uncbanged between October and November, largely as a result of falling prices for imports, the Federal Statistics Office reported yesterday. Preliminary figures, based on returns from four states, showed that the annual rate of inflation fell to 1.5 per cent in November from 1.6 per cent in October and September. Western Germany'a year-on-year inflation rate last touched 1.5 per cent in August, when many analysts declared that tha bottom of the current inflation cycle had been reached. However, economic growth has since flattened and the strength of the D-Mark has exerted downward pressure on prices for fuel, heating oil and some seasonal foods. Imported goods prices in October were 0.2 per cent below those of October last year after modest year-on-year increases of 0.5 per cent in September and August respectively. Mr Richard Reid and Mr Holger Fahrinkrug, economists with UBS in Frankfurt, said that a cut in German interest rates "seems justifiable" in the light of yesterday's inflation data and recent moderate money-supply growth. However, they said they expected the Bundesbank to wait until early next year before cutting discount and lombard rates from their respective levels of 3.5 and 5.5 per cent. *Peter Norman, Bonn*

■ Austria'a current trade balance was Sch4.5bn (£289m) in deficit in September, up from Sch0.5bn in August and Sch3.2bn in September 1994.

■ Greece's trade deficit in August widened to $1.187bn, up 22.4 per cent from August last year.

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Brussels telecom reform hits hurdle

By Emma Tucker in Brussels

A group of Europeao Union member atates yesterday attempted to obstruct European Commission measures to open up the telecoms sector to full competition.

At a highly charged meeting in Brussels, member states including France, Belgium, Spain, Greece and Ireland, hit back at Commission proposals to speed liberalisation of the still highly monopolistic sector in response to mounting international competition.

A majority of countries accused the Commission of moving too swiftly and behaving undemocratically. The countries are worried that their own national operators will lose ground to more efficient foreign companies once all barriers to competition are removed.

Member atates also demanded that the Commission slow plans to liberalise postal services. In a move that private postal operators said would send a "comforting" signal to postal monopolies, the Commission agreed to delay publicatioo of a "notice" clarifying how the Commission intended to apply competition rules in this sector. It said it would not apply the notice until the end of next year.

Summing up the feelings of a majority of member states, Mr Elio Di Rupo, Belgium's communications minister, said national post offices were not yet ready for the "electric shock" of competition.

Member states have already agreed to full telecoms liberalisation by 1998, but many remain nervous about introducing competition.

"There is a wish from the Commission to go faster and further, but which leaves open the question of universal service and its financing," said Mr François Fillon, the French telecommunications minister.

Although the member states did not question the 1998 deadline they queried measures from the Commission to liberalise alternative infrastructures such as rail and energy links before then. The Commission believes such measures are important to ensure full liberalisation can occur in 1998.

In retaliation, countries that are ahead on telecoms liberalisation issued their own declaration urging full competition for the entire sector, including basic voice services, by the beginning of next year.

Denmark, Finland, Sweden and the UK said they supported the Commission's proposals to advance liberalisation, saying thesa should include "liberalisation of voice telephony services and related infrastructure from 1996".

At the heart of the row is the Commission's use of special powers to force liberalisation without a vote from member states. It has used Article 90 to advance competition in areas such as cable television networks, satellite services, mobile communications and alternative infrastructures.

Member states argued yesterday that the Commission was going beyond its mandate and neglecting crucial issues such as universal service and rules to ensure that telecoms operators can interconnect without discrimination.

But Mr Karel Van Miert, the Commissioner responsible for competition, vowed to press ahead with liberalisation and the "Article 90" measures on alternative infrastructures.

On postal services, Mr Van Miert said certain member states believed withdrawal of the competition "notice" would mean competition rules would not apply to the sector. "This does not mean that," he said.

SNCF retirement scheme 'to stay'

By John Ridding in Paris

The French government said yesterday it will allow rail workers to maintain a special retirement scheme, in an attempt to resolve a strike which has crippled rail traffic since last Friday.

Transport ministry officials indicated a government-appointed commission would discusa reform of the pensions schema at SNCF, the state-owned rail network, as part of plans for sweeping reform of the country'a indebted social security system.

The move reflects the conservative government's desire to avoid fighting on other fronts as it seeks to push through reforms aimed at eliminating the FFr60bn ($12.4bn) annual social security deficit. However, it may prompt concerns about its willingness to tackle some of the special interests within the public sector.

Trada unions have launched a series of protests following announcement of welfare reform measures by Mr Alain Juppé, prime minister. Public-sector workers are set to strike again today. The action follows a strike last Friday when hundreds of thousands of demonstrators proteated at Mr Juppé'a plans to cut welfare spending and extend the pensions contribution period for public-sector workers from 37.5 years to the 40 years common in the private sector.

A lone commuter (left) sits dejectedly at Montparnasse station in Paris. Meanwhile railway workers at Nice station (right) vote to continue their strike, already in its fourth day. Rail workers are unhappy at planned rail restructuring and at welfare reforms Reuter

The industrial action has been strongest among railway workers, who are also protesting against plans to restructure the loss-making and heavily indebted SNCF. Yesterday, rail workers voted to continue their strike, threatening a sustained challenge to the conservative government.

As with several other public-sector groups, rail workers have enjoyed special welfare and retirement schemes. Train drivers, for example, may retire at 50, compared with 60 for most public and private sector employees.

The restructuring plan for the rail company, due to be disclosed today, is expected to include significant debt relief from the government as a counterpart to productivity efforts demanded from the company's 180,000 ataff. Mr Jean Bourgougnoux, SNCF's chairman, indicated yesterday that he expected the government to assume about FFr25bn of the company's debts.

Mrs Anne-Marie Idrac, secretary of state for transport, stressed there was no question of changing SNCF's public service status, while officials rejected union claims that loss-making regional lines would be closed.

Differences remained in the rail unions on how to pursue the dispute. The relatively moderate CFTC union proposed the strike be limited to booking offices and ticket collectors, allowing free rail travel and avoiding pnblic alienation, according to the union. "It will hit SNCF in the only area where it seems to care - its finances."

Russia hits out at US envoy's 'clans' attack

By John Thornhill in Moscow

Russia has demanded an explanation from the US after a newspaper reported a US diplomat's view that the country's political establishment was in the grip of "clans" trying to manipulate the electoral system in their own interests.

In an article in the liberal Nezavisimaya Gazeta newspaper, Mr Thomas Graham, first secretary of the US embassy, suggested an ex-Soviet oligarchy had strengthened its grip on Russian politics since President Boris Yeltsin crushed his hardline opponents in 1993.

Mr Graham argued that next month's parliamentary elections and next year's presidential poll endangered the clans' grip hy threatening to bring outsiders, such as communists and ultra-nationalists, into the game. If tha new élite prevailed in the elections, it would consolidate its power, ending a 10-year revolution that began with President Mikhail Gorbachev's reforms.

The article specified Mr Graham was writing in a personal capacity, hut fellow diplomats were surprised a senior diplomat should put his name to an article so strongly critical of the country to which he was accredited. The Russian foreign ministry has demanded an explanation from the US.

Mr Graham identified a number of influential clans competing for wealth and influence, including an energy clan including hig integrated oil companies; a Moscow group which allegedly exploited the capital's resources; a clan centred around the country's services, which derived its economic power from the metals sector and the old military-industrial complex; and a clan of westernisers with strong links to the state privatisation agency and western financial institutions.

A US embassy official said Mr Graham had cleared the article with State Department colleagues in Washington before discussing it at the Carnegie Moscow Ceotre think-tank. Any response to the Russian foreign ministry's complaint would be made through diplomatic channels and would not be mada public.

Telecoms subsidiary for French railways

France's state-owned railway company is to set up a telecoms subsidiary to exploit its communications network, clearing the way for the leasing of capacity to rivals of France Télécom, the public sector operator, and for investment from private industry, writes John Ridding.

SNCF officials said talks were under way with SFR, telecoms arm of Générale des Eaux, the utilities group, and with the Bouygues telecom, construction and communications company, on co-operation with Télécom Développement, its new subsidiary.

The move is in line with developments elsewhera in Europe, where national rail operators are seeking to use their communications networks to capitalise on deregulation of the telecoms sector. Full telecoms liberalisation for European Union members is due from the beginning of 1998.

Initially SNCF's telecoms arm is expected to lease capacity to private operators for use by their mobile telecoms divisions. SFR is currently competing with France Télécom in the mobile market, while Bouygues is building France's third mobile network. However, industry analysts predict this will be followed by the sale of stakes in Télécom Développement to its partners to help finance development and modernise its network.

SNCF'a telecoms network comprises 22,500km of cables, inclnding about 5,000km of fibre optic cables. It is used mainly for communication between stations, depots and signalling centres.

The government has approved SNCF's diversification into telecoms as part of its strategy of developing alternative communications networks. This strategy has helped win Brussels' approval for France Télécom's Atlas alliance with Dantsche Telekom which is aimed at providing services to multinational companies.

However, creation of Télécom Développement is opposed by SNCF's trade unions. The CGT said the move was an attempt to privatise the valuable assets of the company, threatening jobs and the public sector status of employees.

Japan brewer steps up its China assault

By William Dawkins in Tokyo

Asahi Breweries, Japan's second largest beer group, yesterday announced it was to become China's largest brewer with the acquisition of two Chinese producers.

Asahi snd Itochu, tbe Japanese trading company wbicb ls expanding lts interests in China, have agreed in principle to pay $52m for a 75 per cent stake in a Hong Kong-based holding company, owner of Beijing Beer and Yantai Beer. The vendor is China Strategic Holdings, a Hong Kong investment company.

This confirms speculation that the Japanese beer industry was poised to intensify its assault on China, the world's fastest growing beer market. The potential in China is in contrast to Japan's mature and crowded beer business.

The deal, to be closed by the end of December, according to Asahi, more than doubles its annual beer production in China from 248,000 kilolitres at its three existing factories there to 518,000 kilolitres at five breweries.

Asahi's share of the Chinese market will at the same time rise to 3.7 per cent, topping the 2.6 per cent held by the current market leader, Tsingtao Brewery Company, with its annual output of 400,000 kilolitres.

Beset by management difficnlties, the former ststе-run Tsingtao is struggling to live up to production undertakings made to investors st its Hong Kong listing two years ago.

The Chinese beer market, nearly twice as big as Japan's in terms of the volume of beer drunk, and the second largest in the world, grew by just over 15 per cent last year, according to UBS Securities in Tokyo.

The Japanese beer market, the world's fourth largest, grew by only 4.3 per cent in 1994 and most of that growth was to the benefit of foreign producers. Imports are expected to occupy 6 per cent of the Japanese market this year, against 4.3 per cent in 1994, partly because of the price edvantage they enjoy from the yen'e strength.

Japanese brewers have made little headway in Europe and tbe US, where exports have fallen since the turn of the decade, another result of the higb yen'e impact on price competitiveness.

Tbeir main response to currency pressure has been to distribute foreign beers in Japan, which though allowing them to profit from imports, has exposed Japanese brewers to a conflict of commercial interest.

Asahi and Itochu began their Chinese strategy in January last year, wben they bought three breweries on China's east coast from the same Hong Kong investment group.

The aim, as in the earlier acquisitions, is to transfer technology and to make Asahi's best-known Japanese brew, Super Dry, in China. Two of last year's scquisitions are already making Asahi brands. The latest purchases will start Japanese beer production next year and in 1997, an Asahi official said.

Asahi is not only the latest Japanese brewer to enter China, but also the most aggresaive. Kirin, the top Japanese beer maker, opened a joint venture there five years ago; Sapporo has a number of non-beer businesses in China; while Suntory began making beer there 11 years ago.

World beer consumption

	m kl	% of world
US	23.7	19.3
China	14.1	11.5
Germany	11.9	9.6
Japan	7.2	5.9
Brazil	6.3	5.1
UK	5.8	4.7
Mexico	4.5	3.7
Spain	2.5	2.0
South Africa	2.4	1.9
Canada	2.3	1.9

Source: UBS Securities

Container lines feel weight of cut-throat competition

Profits have been depressed in battle for market share, writes Charles Batchelor

Every Friday a P&O container ship slips its ancbor in Rotterdam and sets off on a 35-day voyage via Southampton, Jeddah and Singapore to Yokohama. On Sundays a similar vessel owned by the Danish Maersk line, P&O's partner on the Europe-Far East trades, departs Busan in South Korea to begin its 29-day journey via Hong Kong and Algeciras to Bremerhaven in Germany.

P&O and Maersk are among the stronger participants in the container sector – operating scheduled services in never-ending loops between the world's ports – but cut-throat competition is forcing change on long-established alliances and ways of doing business. P&O and Maersk group are to part company from next May to form links with new partners.

Last month alone two established lines owned up to container-related financial mishaps. Nedlloyd, the Dntcb shipping line, edmitted that lt had misjudged the volume of business it could attract on two new services between Europe and Asia and was forced to scale down its forecast of 1995 profits.

Lykes Bros Steamship, one of the oldest names in the US shipping industry, was forced to seek protection from its creditors under Chapter 11 of the US insolvency code. It blamed its problems, in part, on currency movements which increased the costs of a yen-denominated debt for six new container vessels.

Containers carry 17 per cent of the world's sea-borne tonnage but closer to 60 per cent of sea-borne trade by value, according to Containerisation International, s trade journal.

After being introduced in the 1970s, containers rapidly became the standard method of moving high-value items such as consumer electronics, garments or vehicle parts, because of the protection they provided against damage and theft and the ease of handling on the quayside.

Now, with little scope for the shipping lines to push up rates of hire, the rival groups are engaged in a fierce battle for market share which has depressed returns.

NstWest Securities expects demand for container shipments to grow by 7-8 per cent a year over the next two to three years but capacity will also increase by 7 per cent a year.

"No real money has been made by the container shipping companies in the 1980s or the 1990s," commented an analyst at Drewry, a consultancy. "It has been a period of tremendous attrition. Even in the good years returns have been marginal."

Pressure on ths long-established European and US lines has been increased by the growth of Asian competitors such as Evergreen of Taiwan, Hanjin Shipping of South Korea and Cosco of China.

There has been a series of takeovers in the industry recently – CAST by Canadian Pacific earlier this year and Cunard Ellerman by P&O in 1991. Other groups such as the East Asiatic Company of Denmark and the UK's Ben Line have withdrawn from the market. More of the smaller players are expected to be snapped up by the bigger groups.

The commercial pressures on the industry have been compounded by the decline of the traditional "conferences" – agreements between the shipping lines to set cargo rates and capacity levels on important routes.

Conferences have fallen foul of increasingly vigilant regulators who have seen them as unfair restraints on free trade. Mr Karel van Miert, European competition commissioner, has been waging battle against the Far Eastern Freight Conference and the Trans-Atlantic Agreement (TAA).

The Commission has focused on the shipowners' control of the land leg of journeys which it regards as an unjustified extension of their inflnence over the sea lanes. "The days of the old style conferences are long gone," said Mr Tim Harris, head of container shipping at P&O.

The response of the shipping lines to these challenges has been to establish alliances or consortium agreements which impose fewer rules on their members but are broader in their geographical scope. These combine services so that the lines do not compete on lightly trafficked routes such as Hong Kong to Japan but can offer more frequent sailings on busy sections.

Three alliances have been formed between the large shipping groups with P&O deserting Maersk to team up with Hapag-Lloyd, NYK and Neptune Orient Line; Maersk in turn aligning with Sea-Land; and Nedlloyd getting together with Orient Overseas Container Line, American President Lines and Mitsui-OSK.

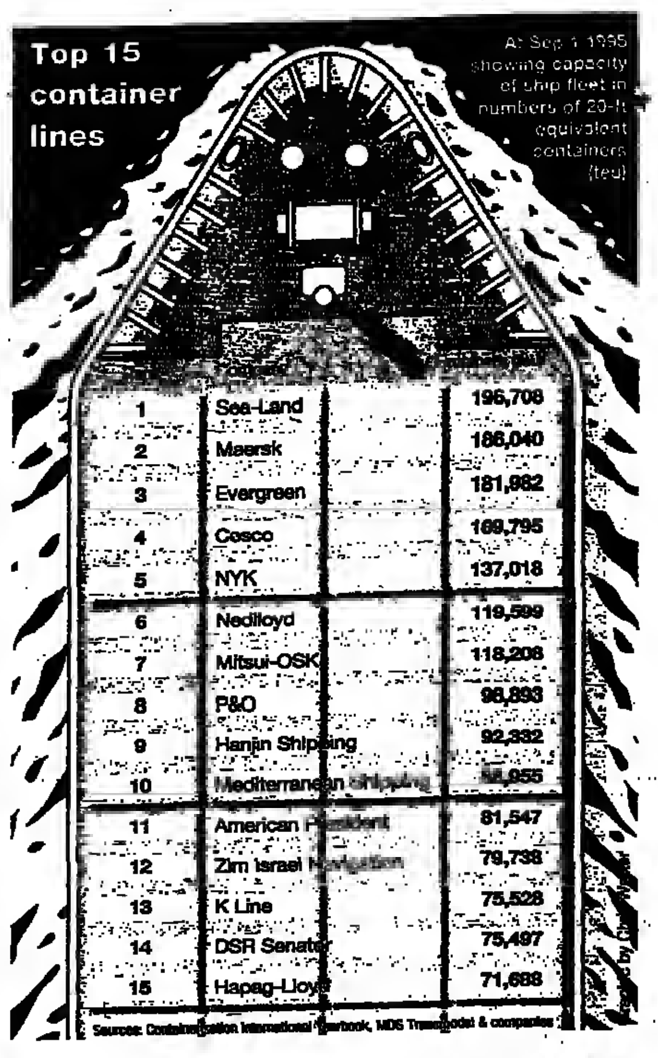
Unlike members of conferences, participants in alliances do not agree common rates among themselves. Bnt they do combine to buy road and rail freight capacity at either end of the sea voyage and they jointly negotiate access to the container terminals in ports.

Joint purchasing is just one strand in a policy of tight control of costs which the lines have been forced to adopt. "We have to cut costs because rates won't go up," said Lord Sterling, chairman of P&O. "The companies shipping goods jump up and down and claim we are ruining their business. But transport costs have declined over the years. It only costs a few cents to ship a bottle of whisky to New York."

Savings are also being achieved by increases in the size of container vessels. Maersk, the largest container shipper, has moved in recent years from operating ships capable of carrying 3,500 twenty-foot equivalent (teu) containers to just under 5,000 teu. P&O is negotiating with shipbuilding yards to order ships capable of carrying 6,000 teu and more.

Technology is also playing a role. The larger lines make use of sophisticated computer systems to locate the position of containers on the quayside and in the ship so that loading and unloading can be carried out efficiently. Tracking systems allow the progress of containers around the world to be monitored.

"The companies are running hard to stand still," commented the Drewry analyst. "Everyone feels there is tremendous potential to make s lot of money but no-one can work out quite how to do it."



1	Sea-Land	196,708
2	Maersk	186,040
3	Evergreen	181,982
4	Cosco	169,795
5	NYK	137,018
6	Nedlloyd	119,599
7	Mitsui-OSK	118,208
8	P&O	98,893
9	Hanjin Shipping	92,332
10	Mediterranean Shipping	88,955
11	American President	81,547
12	Zim Israel Navigation	79,738
13	K Line	75,528
14	DSR Senator	75,497
15	Hapag-Lloyd	71,688

Sources: Containerisation International Yearbook, MDS Transmodal & companies

US and Japan resume talks on air cargo rights

By Michiyo Nakamoto in Tokyo

US and Japanese trade officials today resume negotiations in Washington over bilateral cargo transport rights.

The two sides will seek to bridge the gap over bow to ensure fair access to the growing trans-Pscific air cargo market.

The first meeting, held in September, broke down over differences regarding rights to third destinations.

The US and Jspan are both eager to renegotiate bilateral air cargo agreements, which they believe do not reflect current market needs. While they want to ease restrictions on cargo flights, there are still differences on how this should be implemented to allow fair access.

The US is calling for an open skies policy which would allow unrestricted access for US cargo carriers to the market covering the US and the Asia-Pacific region, including Japan.

The Japanese side, however, is concerned that open skies will give US carriers an unfair advantage over Japanese companies which have been kept from developing their trans-Pscific business by uneven restrictions on their cargo flights to the US.

Under the present agreement, Japan's two cargo airlines, Japan Air Lines and Nippon Cargo Airlines, can only fly a limited number of flights per week to certain cities in the US.

The two big US cargo airlines, on the other hand, have unrestricted sccess to Japan's main airports in Tokyo, Osaka and Okinawa and from there to other destinations in Asia and the Pacific.

As a result, 67 of the flights across the Pacific are run by the US carriers while only 28 are run by the Japanese companies. Japan wants to ensure comparable flying rights to the US before discussing open skies.

At the same time, Japanese carriers point out that they have little to gain from an extension of third destination rights to Europe as they already have their own routes to European destinations while US carriers will benefit substantially from unrestricted beyond rights to other Asia and Pacific destinations.

The growth in US imports to Jspan on the back of a high yen, as well as the increasing shift of manufacturing by Jspanese companies to south-east Asia has supported strong expansion of trans-Pacific cargo traffic vis Japan.

WORLD TRADE NEWS DIGEST

Fokker wins Brazil order

Fokker, the Dutch aircraft maker, has won an order from Transportes Aéreos Regionais (TAM) of Brazil for an additional five aircraft, taking the number of aircraft ordered this year by the Brazilian regional airline to 18.

The Dutch company also reported an order for six 100-seater Fokker 100s from an unidentified customer. Together, the 24 aircraft for TAM and the unnamed customer would be worth some Fl 900m ($560m), but Fokker declined to detail the actual contractual price.

Fokker, which is loss-making, has attributed its problems not to a lack of orders but to weak prices caused by fierce competition and to the decline in the dollar, the currency in which aircraft sales are denominated. Its 1995 orders are already 20 per cent higher compared with full-year figures for 1994, it said. *Ronald van de Krol, Amsterdam*

Skanska group to build bridges

A consortium led by Skanska, Sweden's biggest construction company, yesterday won contracts worth DKr5.3bn ($966m)to build the main bridge sections of the first fixed link between Sweden and Denmark.

The consortium, which includes Danish and German companies, was the lowest bidder for both the 6.7km of low approach bridges and the 1.1 km elevated bridge over the shipping lanes of the Oresund channel between Copenhagen and Malmö. The $680m contract for the 3.7km tunnel which links the Danish coast to the bridge sections was won by a consortium led by NCC, Skanska's main Swedish rival.

Hojgaard & Schultz and Monberg of Denmark, Thorsen and Hochtief are partners in the Sundlink Contractors consortium led by Skanska. The DKr14.5bn Oresund link, due to open in the year 2000, is one of the biggest infrastructure projects under way in Europe. *Hugh Carnegy, Stockholm*

Greek-Macedonian metals deal

Mytilinaios, the Greek metals-trading company, has signed a $20m marketing agreement with Macedonia's state-owned Sasa Mines, the first bilateral deal since Greece lifted its blockade of the former Yugoslav republic last month.

Mytilinaios said it agreed to sell up to 40,000 tonnes of lead and zinc concentrate on international markets during the next year. The first consignments of lead and zinc concentrate were sent from Macedonia to the northern Greek port of Thessaloniki earlier this month.

Mytilinaios has provided a $2m cash injection to help Sasa Mines boost concentrate production. Output started to decline after Macedonia broke away from federal Yugoslavia, losing markets in Serbia, and shrank further when Greece imposed a trade embargo early in 1994. *Kerin Hope, Athens*

Contracts and ventures

■ GEC Marconi said a 3.1bn peso ($118m) radar project entered into by the Philippines Department of Transportation and Communications will go ahead, despite a pending Philippine Senate investigation.

The project involves the installation of a civil aviation and military air surveillance system to be jointly used by the Air Transportation Office and the Philippine Air Force. *Reuter, Manila*

■ Swedish Construction firm NCC and a Norwegian subsidiary have won a SKr1.1bn ($169m) order to build the main terminal at a new international airport being built north of Oslo. *Reuter, Stockholm*

■ Jaguar Cars Export of the Far East will distribute cars in the Philippines by early next year. Jaguar said the Philippines was a suitable market for its luxury cars and for new products. *AFX News, Manila*

US steel exports rise 70% amid dumping charges

By Richard Waters in New York

US steel manufacturers will export 6.5m tons of steel this year, 70 per cent more than last year and the highest level since the early 1970s, according to a US trade group.

However, the American Institute for International Steel, whicb represents importers and exporters, questioned whether US steelmakers would continne to attack world markets et the current rate.

During September, exports from the US rose to an annualised level of 10m tons. They last rose above 7m in 1973-74 and, save for a brief rally in the late 1980s, export rises have been negligible since.

The sudden flurry of exports follows a sudden drop in demand, and falling prices, in the US earlier this year.

But the lower prices obtained from exports, which in some cases are as much as $60 a ton below prices in the US, discourage US manufacturers from working barder to develop export markets, some members of the AIIS said.

Also, US manufacturers have not invested in the wrapping equipment needed to prepare their prodncts for export, a factor which adds to tbeir export costs, said Mr Hans Mneller, e steel trade consultant and member of the AIIS.

Tbe rise in US steel exports, helped by the weak dollar, bas brought a role reversal in the international steel trade, witb accusations of dumping beginning to mount egainst American producers.

The rise in exports comes as steel imports into tbe US are slowing after a record year in 1994. From 30m tons last year, imports will fall to 25m this year and 20-21m next year, the trade group predicted.

Imports have been hit in part by new minimill capacity being built in the US, and by the fall in total US consumption, the AIIS said.

From 114m tons in 1994, consumption will fall to around 110m this year, it added.

The trade group also warned that renewed anti-dumping actions were becoming more likely in the US, despite falling imports.

However, it added that it did not expect any cases to be filed until the middle of next year.

NEWS: INTERNATIONAL

Arab states say Israel's alleged possession of nuclear warheads spurs arms race

Clashes delay launch of 'Euro-Med' pact

By David Gardner and David White in Barcelona

Last-minute disagreements were last night holding up the launch of the Euro-Mediterranean partnership between the EU and 12 Middle Eastern and North African nations, as Arab states clashed with Israel over its presumed possession of nuclear arms.

Syria objected to the accord's definition of terrorism, and Egypt baulked at the speed of the planned transition to a free trade zone between the two blocs.

Mr Javier Solana, Spain's foreign minister, anticipated that compromises would be reached overnight on all outstanding issues to enable signature of the accord today.

The agreement aims to rebalance the Union's relations with its immediate neigbbours – overwhelmingly focused on central Europe since the end of the cold war – by addressing the threat from the south of Islamic fundamentalism.

The Barcelona Declaration, as it will be known, provides for a "Euro-Med" free trade area by 2010; increased EU aid and loans to the region targeted on infrastructure and the private sector; and incentives for the largely closed economies of north Africa and the Levant to integrate.

The idea is that free trade and more aid will enhance stability and prosperity on the southern and eastern Mediterranean rim, underpin the Middle East peace process and help promote pluralism in a region where authoritarian government is the norm.

The Declaration commits the signatories – Morocco, Algeria, Tunisia, Egypt, Jordan, Syria, Lebanon, Israel, the Palestinian antonomous territories, as well as Turkey, Cyprus and Malta – to "develop the rule of law and democracy", and guarantee human and minority rights, and freedoms of expression, association, thought and belief.

The strategy regionalises and binds together bilateral association agreements between the EU and individual states, reached this year with Tunisia, Israel and Morocco.

Jordan, Egypt and Lebanon are negotiating these preferential agreements, while talks with civil war-ravaged Algeria and the Palestinian Authority are at the exploratory stage. Syria is expected to seek an EU association accord once the Barcelona conference is over.

Syria joined an Egyptian-led attempt to use the occasion to persuade Israel to accede to the recently renewed Non-Proliferation Treaty on nuclear arms, to which it is not a signatory. Israel has never acknowledged its assumed stockpile of an estimated 200 nuclear warheads, which Arab states say is fomenting an arms race in the Middle East.

Diplomats were last night trying for a more generic commitment to do away with all weapons of mass destruction so that Israel would be able to sign.

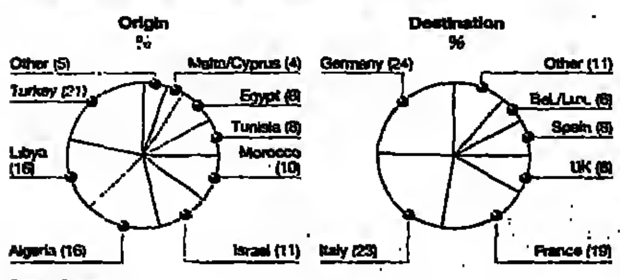
Israel was also at the centre of the dispute over the Euro-Med commitment to combat terrorism. Syria and Lebanon, still to reach peace accords with Israel in exchange for the return of the Golan Heights and southern Lebanon, objected to a definition which appeared to encompass Hizbollah, the Syria and Iran-backed Lebanese Shia Moslem fundamentalist militia.

Egypt's worry on the timetable for free trade in manufactures and services – farm produce will get more limited access to the Union – is more a drafting problem than a firm obstacle. Cairo fears the wording will use Tunisia's and Morocco's agreed transition period of 12 years as the norm for future arrangements, rather than the 15-year transition sought for the region as a whole.

During this transition, those countries that do free-trade deals among themselves, and use each other's materials in their goods, will get virtually unimpeded access to the union's markets under cumulative rules of origin.

The Union hopes that by changing rules of origin, and by concentrating the Ecu4.7bn (£3.87bn) aid for 1995-99 (with a similar amount in soft loans) on cross-border infrastructure and the upgrading of Middle East and north African industry, the Euro-Med accord will expand the regional market and attract inward investment.

Mediterranean exports to the EU



Source: Eurostat

Spain's head of protocol Cristian Barrios (second left) accompanies Yassir Arafat (second right) after the PLO chief's arrival in Barcelona yesterday *Associated Press*

Barcelona is turned into Olympian talkshop

City has seen nothing like it since hosting Games, writes David White

Barcelona, which likes to picture itself as a sort of capital of the Mediterranean, has seen nothing like it since the 1992 Olympic Games. Not only does it have the foreign ministers of 27 countries celebrating the first Euro-Mediterranean conference, but also a spontaneous proliferation of other meetings approaching the same theme from different directions.

The idea of bringing EU governments together with the countries on the other side of the Mediterranean may have been slow in taking root, but it is already sprouting vigorously.

The hotel where the two-day intergovernmental meeting is being held under tight security will continue in use for the rest of the week, when 1,100 experts from academia, unions, employers' bodies and other organisations meet to discuss in detail the implications of the conference conclusions. The Mediterranean Civil Forum will set up a series of working groups, and a permanent secretariat in Barcelona.

As a counterpoint to the official events, an Alternative Mediterranean Conference has been under way since Friday, bringing together representatives of more than 300 non-governmental organisations from 18 countries. It is focusing on greater solidarity between north and south, and other issues from the environment to the status of women. Among other things, it has called for the removal of nuclear weapons from the region and criticised "aggressive" policies on the part of Nato and the Western European Union.

Also coinciding with the ministers' meeting is a Mediterranean Cities Conference, the second of its kind hosted by Mr Pascual Maragall, Barcelona's mayor. About 30 cities are represented.

Not wanting to be forgotten, leaders of 14 European regions held their own meeting at the weekend in an association presided over by Catalonia's president Mr Jordi Pujol.

Saturday saw the end of another meeting, of communist and socialist parties and liberation movements. Libya, not invited to the Euro-Mediterranean ministerial conference, did at least take part in this one.

Spain has been proposing a multilateral meeting for the region since the late 1980s, when along with Italy it tried without success to launch a conference on security and co-operation in the Mediterranean. The event is billed as one of the high points of its EU presidency. Even before it started, Morocco, Tunisia and Egypt were already vying for the privilege of holding the next one.

Some 10,000 police from various forces were mobilised to provide security for the talks, many of them from out of town. Barcelona traffic wardens had a field day sticking tickets on illegally parked vehicles belonging to police reinforcements.

Checks were being made on the motorway from France, and the streets surrounding the conference site – the Hotel Juan Carlos I, built for the Olympics – were sealed off. Disruption before the meeting was aggravated by a taxi drivers' strike, after a colleague was stabbed in a traffic argument on Sunday.

Spanish farmers were planning to muster 20,000 people for a demonstration today against the granting of agricultural concessions to Mediterranean partners – especially recent association agreements with Tunisia, Israel and Morocco. The main Spanish farm union was hosting yet another international meeting yesterday, on the future of the common agricultural policy in southern EU countries.

Several thousand took part on Sunday in a protest called by the Alternative Mediterranean Conference against immigration restrictions. But the show of unity was marred when scuffles broke out between Moroccan demonstrators and supporters of independence in Moroccan-controlled Western Sahara.

INTERNATIONAL NEWS DIGEST

Tehran sets out austerity budget

Iran has unveiled an austerity deficit budget nearly 44 per cent higher than the current year's, with 30 per cent more defence spending and less oil income.

Although the budget is 43.8 per cent higher than for the current year in Iranian rial terms, it is lower in real terms due to Iranian official inflation of more than 50 per cent.

President Akbar Hashemi Rafsanjani, warned of tough times ahead, when announcing the 138,000bn rial ($78.8bn) budget for the year starting on March 21.

Oil exports remain the biggest source of state income, but the share of oil exports in government revenues has reached one of its lowest levels since the Islamic revolution in 1979.

Government revenue, excluding state industries and banks, is set at 54,400bn rials. Some 51.5 per cent or $15.6bn is due to come from oil exports.

Mr Rafsanjani said the forecast, "as a matter of precaution", was based on a price of $15.5 per barrel although Iran was selling now at $16. *Reuter, Tehran*

Egyptian trade deficit grows

Egypt's trade deficit grew by 44 per cent in the first six months of this year to E£11.63bn ($3.42bn) compared with E£8.06bn during the same period in 1994 after a surge in both exports and imports. Having made an export-led recovery a priority of economic policy, government officials said they were pleased overall with the latest trade figures.

Total exports, including oil, rose by 52 per cent to E£6.74bn, compared to E£4.43bn last time, with much of the growth coming from non-oil commodities such as cotton, textiles, chemicals and other agricultural products. This was offset, however, by a surge in imports which increased by 47 per cent from E£12.49bn in the first six months of 1994 to E£18.37bn over the same period this year. *James Whittington, Cairo*

Merger call for Arab banks

A leading Arab economist has called for mergers in the over-banked Arab world and urged improved banking services to attract billions of dollars in local capital which has fled to more developed financial markets.

Addressing the Dubai government-sponsored Emirates International Forum, Mr Hamad said the total assets of banks in the Gulf in 1993 were $168bn, less than the assets of the biggest British bank.

The Bank for International Settlements has classified all Arab states, except Sandi Arabia, as high credit risk countries. But Mr Hamad noted that over the past two years Arab states had moved to increase their capital adequacy. *Reuter, Dubai*

Islamic Banking Survey, See Separate Section

Zeroual urges political dialogue

Algeria's newly elected president Liamine Zeroual was sworn in yesterday and urged all political groups in the fractured country to engage in dialogue and to respect the law.

However, he avoided committing himself to negotiations with anti-government Moslem militants or to dates for parliamentary elections.

The ex-general, who was the army's appointee when he became head of state in January 1994 and their choice in the elections, also vowed no let-up in the confrontation with militants who continued to fight the authorities.

Moslem militants have fought the government since 1992, when parliamentary elections they were poised to win were cancelled. The conflict has cost some 50,000 lives.

■ Some leaders of the Islamic Salvation Front (FIS) said that they were considering calling a unilateral ceasefire following last week's elections, which returned Mr Zeroual to a five-year term as president. *Reuter, Paris*

Jordan cuts foreign workers

Jordan said yesterday it had slashed the number of foreign workers in the kingdom in a campaign to ease high unemployment and rising poverty among Jordanians.

Mr Nader Abu el-Shaer, labour minister, said 70,000 foreign workers from an estimated 250,000 in the workforce left Jordan in October alone. Jordan's cabinet in August approved a recommendation by a ministerial committee to close 15 professions to foreign labour.

The cut in foreign workers was aimed at removing competition for low-paid jobs and easing unemployment which was officially placed at 18 per cent of a workforce of 1m in 1995. Mr Abu el-Shaer said the "strict and accurate implementation of the measures" gave Jordanians 30,000 to 40,000 jobs previously held by foreign workers. *Reuter, Amman*

INTERNATIONAL ECONOMIC INDICATORS: PRODUCTION AND EMPLOYMENT

Yearly data for retail sales volume and industrial production plus all data for the vacancy rate indicator are in index form with 1985=100. Quarterly and monthly data for retail sales and industrial production show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. The unemployment rate is shown as a percentage of the total labour force. Figures for the composite leading indicator are end-period values.

■ UNITED STATES

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	7.1	100.0	91.3
1986	105.5	100.9	6.8	98.3	95.5
1987	108.4	106.0	6.1	106.3	96.6
1988	112.6	110.7	5.4	107.8	100.1
1989	115.6	112.4	5.2	101.4	98.9
1990	116.4	112.4	5.4	87.0	96.1
1991	114.0	110.5	6.6	94.8	100.0
1992	117.6	114.1	7.3	63.9	104.7
1993	123.8	118.8	6.7	69.0	110.4
1994	131.2	125.1	6.0	78.9	112.5
4th qtr.1994	5.7	6.0	5.6	83.6	112.5
1st qtr.1995	4.7	5.5	5.5	79.7	111.8
2nd qtr.1995	4.3	3.4	5.6	78.0	111.1
3rd qtr.1995	4.5	3.1	5.6	78.4	113.2
November 1994	6.0	5.8	5.5	82.0	112.6
December	4.9	6.1	5.4	84.9	112.5
January 1995	6.7	6.4	5.6	78.8	112.6
February	3.8	5.6	5.4	80.9	112.2
March	3.4	4.6	5.4	79.6	111.9
April	3.3	3.9	5.7	79.7	111.5
May	4.6	3.4	5.6	77.1	111.3
June	4.9	2.9	5.5	77.0	111.1
July	4.8	2.6	5.6	79.2	111.2
August	4.3	3.2	5.6	79.3	112.1
September	4.3	3.4	5.6	76.6	113.2
October	-	2.7	5.4		

■ JAPAN

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	2.6	100.0	76.8
1986	106.8	99.7	2.8	94.3	83.9
1987	113.8	103.1	2.8	108.3	91.3
1988	122.6	113.1	2.5	135.8	96.7
1989	132.5	119.7	2.2	147.0	98.5
1990	141.7	124.5	2.1	149.8	95.8
1991	144.8	128.8	2.1	144.2	93.1
1992	139.9	119.0	2.1	124.2	92.1
1993	131.8	113.8	2.5	106.6	98.1
1994	129.6	114.5	2.6	102.2	105.7
4th qtr.1994	-0.7	8.2	2.9	102.4	105.7
1st qtr.1995	-2.3	6.1	2.6	107.6	106.3
2nd qtr.1995	-0.8	4.9	3.1	105.8	107.0
3rd qtr.1995		1.0	3.2	104.2	108.1
November 1994	0.2	6.0	2.9	102.7	105.4
December	-1.0	7.1	2.8	102.2	105.7
January 1995	-4.0	4.9	2.9	101.8	105.8
February	-1.8	7.4	2.6	115.2	106.1
March	-1.1	5.9	3.0	105.6	105.3
April	-1.5	6.0	3.1	102.2	105.4
May	-0.7	5.6	3.1	110.3	106.8
June	-0.3	3.2	3.2	104.7	107.0
July	-0.9	1.3	3.2	102.2	107.2
August	0.7	1.0	3.2	106.9	107.7
September		0.5	3.2	103.6	108.1
October					

■ GERMANY

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	7.1	100.0	88.7
1986	103.4	102.2	6.4	136.9	89.4
1987	107.4	102.6	6.2	149.5	90.1
1988	110.5	106.3	6.2	165.1	95.6
1989	114.2	111.4	5.6	216.5	97.9
1990	123.5	117.2	4.8	261.9	98.3
1991	130.5	116.1	4.2	297.8	95.5
1992	127.7	116.5	4.6	297.7	89.5
1993	122.3	109.1	6.1	228.9	95.6
1994	120.4	113.6	8.8	240.4	104.0
4th qtr.1994	-2.3	7.1	6.8	261.6	104.0
1st qtr.1995		3.1	6.7	271.8	102.4
2nd qtr.1995		1.9	6.8	278.1	102.2
3rd qtr.1995		-0.8		265.8	100.4
November 1994	-3.7	7.8	6.8	264.6	104.0
December	-1.1	7.4	6.8	258.0	104.0
January 1995		2.3	6.7	263.0	103.5
February		5.6	6.7	270.5	102.5
March		1.4	6.7	281.3	102.4
April		1.8	6.8	281.3	102.2
May		3.1	6.8	278.8	103.4
June		0.9	6.8	273.0	102.2
July		1.8	6.8	270.5	101.8
August		-0.6		264.6	101.3
September		-2.9		261.3	100.4
October				257.1	

■ FRANCE

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	10.3	100.0	90.6
1986	102.4	101.2	10.4	107.0	96.4
1987	104.5	103.1	10.5	117.2	96.4
1988	107.9	107.3	10.0	135.3	101.8
1989	108.5	111.3	9.4	160.6	101.6
1990	110.4	112.9	8.9	163.2	95.7
1991	110.3	113.3	9.4	128.2	96.8
1992	110.5	113.2	10.4	109.5	94.9
1993	110.7	110.2	11.7	90.0	96.1
1994	110.8	114.4	12.3	104.1	102.5
4th qtr.1994	-0.5	5.5	12.0	103.5	102.5
1st qtr.1995	0.5	5.5	11.8	119.9	101.2
2nd qtr.1995	1.1	3.4	11.6		100.8
3rd qtr.1995	0.5	1.5	11.4		97.4
November 1994	-0.5	5.0	12.0	102.2	102.8
December	0.9	6.6	12.0	99.7	102.6
January 1995	2.4	5.9	11.9	110.6	102.3
February	0.8	4.3	11.9	119.1	101.7
March	-1.5	6.2	11.7	128.1	101.2
April	0.2	2.1	11.8		101.9
May	2.6	3.9	11.8		101.4
June	0.5	4.0	11.5		100.8
July	1.9	2.1	11.4		100.2
August	0.0	2.1	11.4		98.9
September	-0.3	0.4	11.5		97.4
October					

■ ITALY

	Retail sales volume	Industrial production	Unemployment rate	Composite leading indicator
1985	100.0	100.0	6.8	88.2
1986	106.6	104.1	10.4	94.3
1987	112.1	106.8	10.9	95.8
1988	107.9	114.2	10.9	100.1
1989	116.9	118.7	10.9	98.3
1990	114.5	118.0	10.3	94.9
1991	110.9	118.9	9.8	97.1
1992	116.9	115.4	9.8	94.1
1993	114.1	113.0	10.2	100.8
1994	107.4	119.9	11.0	102.8
4th qtr.1994	-7.4	8.7	11.4	102.8
1st qtr.1995	-3.6	9.0	12.2	101.8
2nd qtr.1995	-4.5	5.9	12.2	101.8
3rd qtr.1995		5.7	12.1	101.5
November 1994	-12.9	7.3	n.a.	103.0
December	-2.5	15.0	n.a.	102.6
January 1995	0.9	9.8	n.a.	102.6
February	-1.4	8.1	n.a.	102.2
March	-10.1	6.2	n.a.	101.8
April	-2.1	5.4	n.a.	101.1
May	-6.3	7.1	n.a.	101.4
June	-5.0	5.4	n.a.	101.9
July	-3.5	4.0	n.a.	102.2
August		8.0	n.a.	102.2
September		5.0	n.a.	101.5
October				

■ UNITED KINGDOM

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	11.2	100.0	89.9
1986	105.3	102.5	11.2	116.1	92.9
1987	110.8	106.5	10.3	141.2	96.8
1988	117.8	111.6	8.8	143.1	95.6
1989	120.1	114.0	7.2	123.5	93.6
1990	121.1	113.7	6.8	97.2	91.4
1991	119.4	109.5	8.8	68.2	95.4
1992	120.4	109.4	10.1	69.1	99.3
1993	123.6	111.5	10.4	76.0	106.6
1994	128.5	117.1	9.5	93.5	110.7
4th qtr.1994	3.5	4.5	9.0	104.5	110.7
1st qtr.1995	1.4	4.2	8.7	102.8	110.7
2nd qtr.1995	1.4	2.0	8.8	105.6	110.3
3rd qtr.1995	0.5	1.2	8.7	108.4	110.3
November 1994	3.2	4.0	9.0	105.3	110.5
December	3.9	4.0	8.8	104.6	110.7
January 1995	0.3	3.7	8.7	103.5	110.9
February	2.4	3.6	8.7	102.2	110.8
March	1.5	5.2	8.8	102.6	110.7
April	1.9	2.6	8.8	108.4	110.6
May	1.2	1.7	8.8	105.2	110.6
June	1.2	1.7	8.8	105.3	110.3
July	1.2	1.9	8.8	105.3	110.2
August	0.3	0.9	8.7	108.8	110.3
September	-0.1	0.8	8.8	112.9	110.3
October	0.0				109.9

All series seasonally adjusted. Statistics for Germany apply only to western Germany. Data supplied by Datastream and WEFA. Retail sales volume: data from national government sources except Japan and Italy (value series deflated by OECD using CPI). Refers to total retail sales except France and Italy (major outlets only) and Japan (department stores only). Industrial production: data from national government sources. Includes mining, manufacturing, gas, electricity and water supply industries except Japan (mining and manufacturing only) and UK (also includes construction industries). Unemployment rate: OECD standardised rate which adjusts as far as possible for the different definitions of unemployment used in official sources. Vacancy rate indicator: relevant vacancy measure divided by total civilian employment, expressed in index form. Derived from OECD series. US – help-wanted advertising, Japan – new vacancies, Germany and France – all jobs vacant, Italy – no data available, UK – unfilled vacancies. Composite leading indicator: OECD data. Each is a combination of series, cyclical fluctuations in which usually precede cyclical fluctuations in general economic activity.

NEWS: ASIA-PACIFIC

Burmese activists fail to loosen military regime's grip

Ted Bardacke reports on the opposition's narrowing options at the country's constitutional convention

Suu Kyi: her political problems become more acute *Picture by Reuter*

Since being released from house arrest in July, democracy activist Ms Aung San Suu Kyi has been unable to get Burma's military rulers to do anything they don't want to do. Her calls for dialogue have gone unheeded, her supporters continue to be arrested and harassed, and scores of potential foreign investors swarm around the lobbies of government ministries and luxury hotels.

Today the political difficulties of Ms Suu Kyi and her opposition National League for Democracy (NLD) will become even more acute. The junta's handpicked delegates to a constitutional convention will resume the process of ratifying a plan giving the military a "leading role" in the political future of the country and denying Ms Suu Kyi, because she is married to a foreigner, the opportunity to lead the country.

So far the NLD, which despite winning 80 per cent of the vote in the 1990 general elections has been allocated only 15 per cent of the nearly 700 delegates, has said it will attend the convention's opening ceremony, see if the government is willing to change both the form and content of the convention, then decide what to do next. Government officials and state-run media say any changes to the convention are highly unlikely.

Then, say party leaders and local observers, the NLD will have only two options: continue to participate in the national convention and lose stature both internally and internationally, or walk out and risk both isolation and repression.

Though the choices are limited, the ramifications are not. Next month's United Nations General Assembly resolution on Burma, the outlook for the Burmese economy and the prospects for renewed unrest in the country all hinge on how the NLD chooses to resolve the political dilemmas surrounding the convention.

Although Ms Suu Kyi is tremendously popular internally, the continued threat of repression – in the past week three pro-democracy students were sentenced to two years in prison for moving a police barricade at Ms Suu Kyi's house and 23 ageing veterans of Burma's independence struggle were held for questioning after calling for a dialogue between the military and Ms Suu Kyi – limit the NLD's ability to put pressure on the military directly.

At the same time, economic reforms have made many farmers better off, thus eroding some of Ms Suu Kyi's support in the countryside. Ceasefire agreements with 15 of Burma's 16 armed rebel groups have allowed the State Law and Order Restoration Council (Slorc), as the military junta is known, to divert resources to popular infrastructure projects.

Instead, Ms Suu Kyi must continue to court her substantial international support. For those involved in drafting December's UN resolution on Burma, Ms Suu Kyi's attitude towards the convention is crucial.

"Her credibility is at stake," says a diplomat from a country which supports e UN resolution that is tough on Burma. "It would be a tragedy the convention doesn't get criticised in the resolution but if the NLD participates it will be hard to argue against countries like Singapore that want to water it down."

While this would seem to be an argument for boycotting the convention, the military leaders, having ended their international isolation by freeing both the economy and Ms Suu Kyi, say they will not be moved by foreign concerns.

"The pressure actually has a negative effect. Remember we are a military government and militaries by nature resist pressure instead of giving in," says Mr Set Maung, senior economic adviser to the Slorc and a member of the National Convention's organising committee. "We are not in such bad straits... and can ride out the storm," he adds.

Yet despite increased foreign investment, political intransigence continues to dog the economy. The Slorc's refusal to negotiate with the NLD has delayed resumption of official Japanese loans, while the US and other western countries are blocking assistance from the International Monetary Fund and the World Bank.

Burmese government officials say IMF funding and other foreign aid are needed if Burma is to devalue its currency, without which "the reforms that have been implemented, important as they are, will not be enough to bring forth a sustained growth response," according to a recent World Bank study.*

Ms Suu Kyi says political dialogue is the solution to Burma's economic woes and likens Burma to the Philippines, where investment began to flow once political change was achieved and consolidated. But she is still exposed to the continual criticism in the state-run media that by threatening stability and refusing to co-operate it is she who is hindering economic growth.

Yet perhaps the biggest risk in pulling out of the convention is that the isolation could lead to hardliners within the NLD gaining the upper hand and advocating desperate measures. The same danger of course exists by remaining in a convention that does not respond to key NLD demands.

Ms Suu Kyi swears the NLD does not want demonstrations in the street and that, while the regime may be able to ignore her, it "can't ignore the will of the people". So far though, Slorc seems to be making a pretty good job of it.

Burma's privatisation process is not going as fast as planned and the government will wait for a stock exchange to be set up before proceeding further, a senior government economic official said yesterday, writes Ted Bardacke in Rangoon.

The establishment of a stock market, expected within a year, will let the government sell off portions of state-owned enterprises to the public without having to go through an expensive bidding process, the official said.

Management of companies privatised in this way would not necessarily be changed, as the government would retain a big stake, but they would be accountable to shareholders, be added. The official also ruled out privatising important money-making state-owned companies, such as those monopolising rice and teak exports.

Burma has 59 state-owned companies, which operate about 1,800 factories and other establishments. Fifty-one establishments have been identified for privatisation and, as at August, six have been sold off to the private sector. Other factories have entered into joint ventures or leasing agreements with private companies.

**Myanmar: Policies for Sustaining Economic Reform. The World Bonk, Report No. 14062-BA, October 16, 1995.*

ASIA-PACIFIC NEWS DIGEST

Australian bank sale 'goes ahead'

The Australian government remains committed to the stock market flotation of its remaining shares in Commonwealth Bank of Australia in the current financial year to June 30, assuming it wins the next federal election, Mr Ralph Willis, treasurer, said in Canberra yesterday.

The sale, expected to fetch several billion dollars, is crucial to the government's hopes of reaching a budget surplus in the 1995-96 financial year. Legislation enabling the sale to go ahead was passed yesterday. But even with the CBA proceeds, many economists believe failure to complete other asset sales and lower-than-expected proceeds from privatising the airline Qantas mean the budget surplus target will be missed.

Mr Willis refused to concede a surplus was impossible. The government was "concerned to ensure maintenance of good budget outcome". The projected surplus would be discussed in the mid-term review of the economy, to be released before Christmas. He expected further evidence of a slowdown when figures for Australia's gross domestic product appear tomorrow. Market forecasts are for growth of about 1 per cent during the quarter, or about 3 per cent year-on-year. In its budget, the government forecast growth for 1995-96 of 3.75 per cent. *Nikki Tait, Sydney*

Shareholders of Daiwa to sue

Shareholders of Daiwa Bank, which is under instructions by Japanese authorities to curb overseas operations and has been ordered by US authorities to withdraw from the US, yesterday filed a lawsuit against the bank's executives, seeking damages of $1.1bn. Two individual shareholders and a corporate shareholder filed a joint suit at the Osaka District Court, charging the bank's 38 incumbent and former executives, including Mr Takashi Kaiho, president, and Mr Sumio Abekawa, chairman, and the bank's auditors with negligence.

The shareholders accused Daiwa's management of failing to take due steps to prevent illicit bond trading at its New York branch and the subsequent cover-up of $1.1bn in losses by Mr Toshihide Iguchi, the bond trader. They alleged management also failed to stop the trading even after Mr Iguchi confessed to the bank in July by letter to Mr Akira Fujita, who resigned the bank's presidency in September. *Emiko Terazono, Tokyo*

Hanbo chief indicted in Roh case

Mr Chung Tae-soo, chairman of the Hanbo construction and steel group, yesterday became the first businessman indicted in the scandal involving Mr Roh Tae-woo, the former South Korean president. Mr Chung is charged with giving Won15bn ($19.5m) in bribes to Mr Roh in 1989 and 1990 to acquire state-owned land in southern Seoul for a new apartment complex built by Hanbo. The Hanbo chairman has also been accused by prosecutors of helping launder money from Mr Roh's secret bank accounts, although no charges have been filed on this matter. Hanbo, the country's 30th largest industrial group with assets of $4bn, expended rapidly during Mr Roh's administration of 1988-93. *John Burton, Seoul*

Vietnam-Hungary debt accord

Vietnam and Hungary yesterday signed an agreement on the repayment of 270m transferable roubles of debt owed by Hanoi, ending over a year of haggling over the exchange rate. The sum will be converted into $49m, using an exchange rate of 5.5 transferable roubles to $1, bankers said. The debt is repayable over 12 years and carries an interest rate of 3 per cent. Hanoi will repay the money through a mixture of debt-for-equity swaps, barter and by giving Hungarian businesses privileged access to the local currency, the dong, for purchases of goods and services in Vietnam, Mr Gyorgy Gilyan, head of the commercial division at Hungary's ministry of trade and industry, said. *Jeremy Grant, Hanoi*

Philippine growth accelerates

The Philippine economy confounded general expectations in the third quarter with gross national product increasing 6.8 per cent, a significant acceleration on the 5.2 per cent posted in the first half. This brings the year's average growth rate up to 5.8 per cent or just below the government's 6-6.5 per cent target. It was attributed to higher net capital inflows (mainly worker remittances), 45 per cent up on last year. Stronger industrial performance, up 7.9 per cent, and the increasing rate of fixed investments, 7.3 per cent higher, also contributed.

Higher inflation and rising interest rates have put the stock market and the Philippine peso under pressure in the last three weeks, prompting economists to downgrade year-end growth forecasts. A government spokesman said yesterday that inflation, running at 11 per cent, would dip into single figures in the next two months. *Edward Luce, Manila*

Lee wins defamation damages

International Herald Tribune newspaper executives have agreed to pay S$300,000 (US$210,000) to Mr Lee Kuan Yew, Singapore's senior minister, over an article that allegedly defamed him, Mr Lee's lawyer said yesterday. Mr Tan Kok Quan said the amount was fixed at an in-chambers hearing. At issue was an article by Mr Christopher Lingle, an American academic, published in the newspaper on October 7, 1994. It referred to "intolerant regimes in the region" and called into question the independence of judiciaries. The IHT, owned by the New York Times and Washington Post, apologised and did not contest liability. *Reuter, Singapore*

NEWS: THE AMERICAS

Clinton begins Bosnia hard-sell

By Bruce Clark in Washington

Failure to send troops to the Balkans now could force the US to intervene on a larger scale later, the Clinton administration said yesterday as it launched its effort to win the broadest possible backing for the Bosnia peace mission.

A nationwide television address by Mr Clinton last night was billed by aides as an attempt to convince the nation to "choose between the war and peace" and consolidate the impressive diplomatic success scored last week in US-brokered talks between Serbia, Croatia and Bosnia.

Mr Warren Christopher, US secretary of state, said that if the peace accord negotiated in Dayton, Ohio, failed for want of US ground troops, it was "virtually certain" that the war would "reignite and spread" across the Balkans.

Such a development would "threaten our allies and destabilise a region where shifting frontiers and ethnic unrest have long been a cause of conflict among larger powers," he wrote in the New York Times. A wider war could "require an intervention far costlier than anything contemplated today".

Opponents of the deployment have also cited the bloody history of the Balkans, but have concluded that this is a good reason for not intervening on the ground.

A spokesman for Mr Newt Gingrich, speaker of the House, said successive attempts by the great powers to regulate the affairs of the Balkans had ended in failure and war.

The spokesman cited the German aphorism that the Balkans were "not worth the bones of one Pomeranian grenadier". The question the president had "to deal with is... if it's not worth the death of one German soldier, why is it worth the risk of 20,000 American boys?"

While the House Republicans led by Mr Gingrich remain deeply sceptical of any Bosnia deployment, many observers believe they will hold back from blocking the mission.

Once they have pointed out the dangers of Bosnian involvement with sufficient force, many Republicans may be content to let Mr Clinton take responsibility for any difficulties the mission may encounter.

Privately, US officials say the arguments for the Bosnia mission fall into two categories: the strategic case, which would seek to prevent the war spreading toward Albania and points south; and the moral case for ending civilian suffering.

The strategic stakes are keenly felt in the National Security Council and the Pentagon, where the possibility of a Slav-Albanian conflict in the southern Balkans is seen as real and deeply alarming.

But the administration is expected to focus heavily on moral arguments in its public presentation.

Mr Mike McCurry, the White House spokesman, said the president wanted to "remind the American people of the extraordinary loss of life – over a quarter of a million dead, 2m refugees and some of the worst atrocities we've seen since the Holocaust."

However, the appearance on American television screens of demonstrations by Serb residents of Sarajevo, the Bosnian capital, who fear losing their homes as a result of the Dayton accords, has complicated the White House effort to persuade the nation that the Bosnia mission is both morally imperative and relatively safe.

Beacon of hope in Brazil backwoods

A former guerrilla who now governs Amapá, one of the country's poorest states, has won plaudits for his development model, writes **Angus Foster**

Cut off from most of Brazil by the huge Amazon river, Amapá is an unlikely place to find enlightened leadership.

But the state's new governor, who once fought as a guerrilla against Brazil's military rulers, has a development model which environmental groups are applauding. An executive from Friends of the Earth even called the governor's commitment to sustainable development "unprecedented and unique".

Amapá is one of Brazil's poorest states, although its isolation has slowed the rate of destruction caused by migration and deforestation common in the Amazon basin. Probably only about 2-3 per cent of primary forest in Amapá has disappeared, compared with estimates of 10 per cent for the whole region.

The governor, Mr João Alberto Capiberibe, 48, is a left-of-centre politician who took office in January intent on preventing further damage. "I started from a very simple diagnosis. Our natural resources are disappearing and, unless we do something about that, we will be left in a situation of eternal poverty."

He plans to concentrate on key projects – such as fishing, tourism and mining – principally located along the Amazon River and the Atlantic coast. The projects are meant to provide jobs and income for people who might otherwise invade protected areas of natural and indigenous reserves, mainly inland.

"We want to secure people on the coast and protect the interior," says Ms Mary Allegretti, a respected environmentalist who is secretary of planning.

Instead of ruling by decree to benefit the established élites – the usual model in northern Brazil – the new government is decentralising decisions and funding to involve local communities.

Funding for indigenous groups' education and health projects has been transferred to them, while the government has committed itself to providing enough indigenous, bilingual teachers for all groups. In many other states, teachers are Portuguese-speaking Indians and some indigenous languages have consequently fallen into disuse.

The government is also providing assistance to communities which extract products such as rubber and nuts from the forest and, if properly managed, provide a model for sustainable development.

Earlier this year, the government started buying de-hy-

drated Brazil nuts from the Cajari reserve in south-western Amapá. The nuts are added to government-distributed free school meals to improve children's diets.

Mr João Gerson Moraes of the rural workers' union says the programme has helped members. "Before, they were being paid very little by the nut wholesalers. Now, because of the government's programme, all prices have been forced up."

The projects are not without their problems. Some observers say the governor is an idealist. They point to the town of Laranjal do Jari where he is trying to persuade inhabitants to move away from an insanitary river bank to higher ground. "People don't want to move, they like living by the river," says one resident.

A more serious concern is that the government's progressive ideas are at odds with Amapá's conservative past. Before becoming a state in 1991, the area was ruled directly – and usually in an authoritarian manner – from Brasília. This damaged tha development of political parties, popular participation in government and the quality of the civil service.

"For these projects to work, you need popular participation. But there is still a huge gap between the government and the population because of that authoritarian past," says Mr. Capiberibe.

Even if the programmes work, Amapá may not be a model for the rest of the region. Although the state is twice the size of the Irish Republic, it is small by Amazonian standards and has a population of only 600,000.

As a recently established state, the federal government still pays most of its civil service wage bill. This leaves Amapá with relatively fewer budget problems than its Amazonian neighbours.

The new government is also vulnerable in that part of Brazil, which is more familiar with rule by powerful landowners. By emphasising local communities and poorer populations, which are not politically influential and are rarely visible in the local media, Mr Capiberibe can be criticised by opponents for apparently "doing nothing".

"We're not building lots of grand projects, and that can be used by the opposition," says one government member.

Mr Capiberibe, who entered politics after the return of democracy in 1985, probably won last year's elections because of support gained while agriculture secretary and mayor of the state capital, Macapá. To entrench his ideas, he probably needs a second four-year term in office.

A constitutional change to allow governors re-election is under discussion in Congress. If re-election is not allowed, he needs to find someone with the same local appeal to carry on the fight in the 1998 poll.

Such problems do not unduly concern Ms Allegretti. "I've always said sustainable development doesn't do away with problems, it just means looking at them in a different manner. Conflicts always were, and still are, part of this region."

Ecuador reform package rejected

By Raymond Colitt in Quito

Ecuadoreans have rejected a package of constitutional reforms which, according to President Sixto Durán Ballén, would have "solved many of tha problems" that have afflicted the country.

Preliminary results from exit polls during Sunday's referendum show the electorate rejecting all 11 reform proposals, with majorities of up to 60 per cent. The proposals would have opened public health and social security services to private sector participation and would have granted the president the right to shut down parliament at least once during his term.

Other controversial proposals were aimed at electoral reform and at de-politicising tha judiciary. Tha electorate also defended the right to strike in the public sector, even if that meant paralysing basic services in health, education, transportation and telecommunications.

Mr Bolivio Cordoba of the polling group Cedatos said the majority of voters used the referendum to express disapproval of the government. Even such issues as administrative and financial decentralisation, which were backed by a majority in independent polls prior to the referendum, were rejected.

Mr Carlos Solórzano, president of the Supreme Court, said that he and many others voted against the reforms because "the objective of the referendum was to discredit the judicial and legislative branches of the stata while strengthening the executive".

Mr Arturo Quiroz, president of the Quito stock exchange, said reform of the social security system would have allowed the creation of private pension funds, giving a boost to the fledgling exchange.

However, a government spokesman insisted that even if the reforms did not go ahead now, at least the government would in part have broken opposition to the state's modernisation.

AMERICAN NEWS DIGEST

Sales of homes in US fall 1.9%

Sales of existing homes in the US fell for the first time in six months last month despite lower mortgage rates, the National Association of Realtors said yesterday. Sales fell 1.9 per cent to a seasonally adjusted annual rate of 4.07m homes from 4.15m in September. The last monthly decline in sales was in April, which saw a sharp 6.4 per cent fall.

The weak October performance was worse than expected by Wall Street economists, who had forecast sales at a rate of 4.14m homes. The drop occurred even though average rates for 30-year mortgages eased down to 7.48 per cent in October, from 7.64 per cent in September. October rates were well below the 8.93 per cent average of a year earlier.

However, Mr Art Godi, president of the realtors' association, said a drop in the monthly resale price was not surprising and should not be construed to mean the market was turning down. "The housing industry remains incredibly strong. Low rates have kept demand high," he said. *Reuter, Washington*

IADB reviews loans to provinces

The Inter-American Development Bank is to consider making loans directly to provincial governments, according to Mr Enriqua Iglesias, the bank's president. At present, the IADB can only lend to provincial governments with a central government guarantee.

Mr Iglesias said the proposal would be put to the bank'e board of governors at its annual meeting next year in Buenos Aires. The bank has already been given leave to lend up to 5 per cent of its loans direct to the private sector.

The president said any move to lend directly to provinces would have to take account of tha concerns of tha international capital markets, from which the bank obtains most of its funding. He added that such lending might encourage fiscal responsibility among provincial governments, which in many countries were receiving increasing revenues and responsibilities as part of important decentralisation efforts.

However, these efforts were leading to unexpected practical problems.

For example, in some countries, such as Colombia and Brazil, it was proving easier to devolve revenues than responsibilities to regional governments, leaving central government with fiscal problems. *Stephen Fidler, London*

Greenpeace accuses DuPont

DuPont, the US chemicals company, yesterday rejected accusations by Greenpeace, the environmental group, that it was responsible for destroying a substantial chunk of the ozone layer, and called soma of the group's figures "ludicrous". A Greenpeace study released ahead of a UN ozone conference beginning in Vienna today named more than 40 companies worldwide which it alleged were destroying the protective atmospheric layer.

Greenpeace claimed DuPont was the worst ozone offender in the world, alleging it was responsible for almost 14 per cent of the 23m square km hole. The group said DuPont had made more than $5.2bn from the sale of ozone depleting substances since 1985.

"I have no idea where they get these figures from," a DuPont official said. "But what I can say is that in that same period we sunk $550m trying to find substitutes for CFCs." Chlorofluorocarbons are inert, odourless gases used in assorted applications including refrigeration, aerosols and foams. *Reuter, Vienna*

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Northern Ireland Series of investments offers first tangible evidence of 'peace dividend'

US computer group to create 650 jobs

By John Murray Brown in Dublin

The British government yesterday announced a further 650 jobs for Northern Ireland in a big investment boost timed to coincide with President Bill Clinton's visit on Thursday.

Stream International, a US leader in computer support services is to invest £6m ($9.36m) creating 500 jobs at a call centre in Londonderry.

Short Brothers, the aerospace company owned by Bombardier of Canada and Northern Ireland's largest employer, is spending £5m on creating 155 job to expand its weight-reducing advanced composite materials unit at Dunmurry in staunchly nationalist west Belfast.

Hopes of an Anglo-Irish summit to launch a new phase of the Northern Ireland peace process petered out last night amid a welter of mutual recrimination, John Kampfner writes. The latest in a series of telephone conversations between Mr John Major, the UK prime minister, and Mr John Bruton, his Irish counterpart, failed to resolve outstanding differences. The 30-minute call was described by both sides as "useful".

But Irish officials complain of deliberate moves by the British to scuttla a summit ahead of President Bill Clinton's visit to the UK and Ireland. British officials suggested that the Irish government is paying only lip service to the need to force Sinn Féin, the IRA's political wing, to make concessions.

At a time when the political process is stalled, the government is keen to emphasise to US and other investors the improvements in the economy and the investment attractions.

The projects, added to the £160m and 1,800 jobs created last week, are the first real signs of the much vaunted peace dividend, promised at the time of the ceasefires 15 months ago. A further 200 jobs are expected to be unveiled today at three locations. Two of them will be in Enniskillen, one of the employment blackspots of Northern Ireland. In addition Michelin, the French tyre company, announced a £11.8m expansion to make a new "green" truck tyre.

Baroness Denton, the Northern Ireland economy minister in the British government, angry at recent negative press comments on the Northern Ireland economy, said the high level of interest from investors, up three fold since the ceasefires, was starting to produce results.

The investments, she said, reflected "strengthening business confidence" highlighted by labour trends where unemployment has fallen every month since the ceasefires reaching a 14-year low. Moreover, manufacturing output is rising, up 5.6 per cent in the year to June.

Last week Montupet, the French car components company, announced a £142m expansion of its west Belfast plant employing an additional 1,360 people, the largest investment since the ceasefires. Rusch manufacturing, the UK arm of Teleflex Corporation of Pennsylvania, announced a £2.7m expansion of its Lurgan operation where it makes surgical supplies for hospitals and health clinics.

In addition, Galen Holdings, a domestic pharmaceutical firm announced a £17.4m expansion creating 160 jobs, and 31 jobs were created at a £2.2m project at the Portadown canned foods producer Glenbrook Foods, a subsidiary of the Danish co-operative Vestjyske Slagterier Amba.

Water company aims to end risk of cut-offs

By Chris Tighe in Newcastle, and agencies

Yorkshire Water yesterday promised to spend £50m ($78m) to try to prevent supply cut-offs in the event of another drought like this year's.

It intends to step up measures to improve its ability to move water to West Yorkshire following protests when it threatened to cut supplies to 500,000 customers because of last summer's drought.

It backed down earlier this month after a public inquiry on threats to use a rota of cuts and standpipes in two large towns. Yorkshire Water was told by the government that cuts would be approved only as a last resort. Instead, it is using a fleet of tankers to bring water from neighbouring companies.

It emerged yesterday, however, that Yorkshire Water's drought-relief tankering operation to ferry water from Teesside to the Leeds area started without planning permission for the £1m infrastructure works.

The company said that it had spent £13m since April on a range of capital projects to help maintain supplies to customers.

Yorkshire's shares rose 4p yesterday to close at 613p. The company is due to publish interim results tomorrow.

Tax 'stifling biotechnology'

FT *Conferences*

Capital gains tax laws are "stifling" biotechnology in tha UK by comparison with the US, an industry conference heard yesterday. Mr Nowell Stebbing, former executive of ICI in the UK and Genentech, the US biotechnology company, said capital gains tax was "the key difference between the UK and the [US] in terms of the number and size of investments in new ventures". His comments at a Financial Times biotechnology conference came ahead of today's Budget. The sector has been lobbying hard over the last two years for tax breaks.

Mr Keith McCullagh, chief executive of British Biotech, one of the largest companies in the sector, said the industry had the backing of the UK Department of Trada and Industry. But the initiative is likely to have had opposition from other departments. Mr Stephen Dorrell, a former Treasury minister and now health secretary, said in September he was not in favour of tax shelters for biotechnology.

Mr Stebbing, now chairman of UK company Axis Genetics, contrasted the UK position, where capital gains tax is usually levied at 40 per cent, with the 28 per cent rate "soon to drop to 14 per cent" in the US, and mainland Europe where CGT is low or zero for investments held for more than six months. He also criticised European venture capitalists for being more averse to risk than their US counterparts, and European stock exchanges, for the obstacles that inhibit young companies from floating.

He sounded an optimistic note, however, saying that the harmonisation of drugs regulations in Europe through the London-based European Medicines Evaluation Agency, and stock exchange reforms, would promote the growth of European biotechnology.

The conference also heard from Mr Joshua Boger, chief executive of US company Vertex. He said biotechnology companies should attack markets dominated by pharmaceuticals companies rather than those of one another.

Budget news, Page 12

EU farms president rules out early CAP shake-up

By Alison Maitland in London

The Common Agricultural Policy of the European Union will not change significantly until 1999, Sir David Naish, president of Copa, the federated EU farmers' lobby, predicted yesterday. He is also president of the National Farmers' Union of England and Wales.

The MacSharry reforms of 1992 had proved more successful than most people expected, with food mountains near zero, farm incomes stable or higher and an easing of pressure on the CAP budget, he said at the Royal Smithfield Show in London.

Sir David said short-term prospects looked "reasonably favourable", with cereal prices likely to remain high for the next 18 months. At the end of the decade, however, the prospect of eastward enlargement of the European Union would be coupled with renewed pressure on European farm subsidies under the next round of world trade talks. This pressure would increase if, as expected, the US makes drastic cuts in its farm support programme.

Many east European countries would also return to being net exporters of farm products, creating fresh problems for the EU in meeting its commitments to cut subsidised exports under the current world trade deal.

Sir David said Mr Franz Fischler, the EU agriculture commissioner, was "moving in the right direction" with his proposals for decoupling CAP support payments from production.

He attacked "internal sniping" among British politicians over Europe. "All this sniping makes it extremely difficult to convince our European counterparts of our case," he said.

● Growing public concern about the environmental impact of farming and the methods used to produce food has put the British agricultural industry on the defensive.

One questioner at an open meeting at Smithfield attended by Sir David complained that farmers' representatives "didn't seem to have any answers" to alarming reports about the extent of bovine spongiform ancephalopathy (BSE) and the potential link with Creutzfeldt-Jakob Disease in humans. Beef sales were suffering, the questioner said.

Mr Poul Christensen, one of the platform speakers and a beef farmer himself, said the agriculture ministry had put controls in place to ensure that any risk of the disease being transmitted to humans was reduced to "an absolute minimum." But he admitted there was a problem. "People are losing confidence in science itself."

Sir David had a suggestion for Mr Douglas Hogg, minister of agriculture, who was also at the meeting. "Positive statements from the chief medical officer would be extremely helpful," he said.

But another questioner said it was hard to win over the public when the meat industry was bickering about who should pay the extra costs of disposing of cattle brains and offal – the parts that can carry "mad cow disease."

UK NEWS DIGEST

BBC transmitters to be privatised

The government is to require the BBC to sell off its transmitter network, but will allow the public broadcasting corporation to keep most of the proceeds.

Under one of the government's most unusual privatisations, announced yesterday, the BBC will have to organise its own transmitter privatisation and will then be able to keep the proportion of the assets paid for by licence-payers money – an estimated 70 per cent to 80 per cent. Money from the sale of World Service transmitters, paid for by grants, will return to the government. The BBC broadcasts no advertising, and is financed mainly by funds raised from the sale of compulsory licences for using television sets.

As a result of the sale, designed to increase the pressure for greater efficiency, the BBC is likely to get more than £100m ($1.56m) to invest in digital technology. The owner of privatised BBC transmitters would be able to apply for the digital multiplexes, or blocks of digital frequencies, to be offered for new DTT services. The government is very keen to establish digital terrestrial television in the UK.

Raymond Snoddy, Consumer Industries Staff

Texaco and Gulf face charges

Texaco and Gulf Oil (Great Britain) are to be prosecuted over the explosion and fire last July at their Milford Haven refinery in south Wales. Twenty-six workers were slightly hurt and nearby properties were damaged by the blast, which followed a severe thunderstorm. The jointly-owned plant, one of the largest in Britain with a capacity of 90,000 barrels a day, processes 10 per cent of UK petrol. It was not fully operational again until early December.

The Health and Safety Executive, the state watchdog, said each company, as partners in Pembroke Cracking Company, would face two charges of contravening the Health and Safety at Work Act by failing to ensure, so far as was reasonably practicable, the safety of employees, subcontractors and the public. The companies said they had thoroughly investigated the incident, working closely with the HSE, and changes had been made.

Roland Adburgham, Bristol

Delta expands London office

Delta Air Lines, the US carrier, is investing £20m ($31m) over five years in a European reservations and sales centre in London designed to streamline its European operations. The centre will employ up to 250 people and will absorb the reservations activities of Delta's offices in 13 European cities including Brussels, Paris, Rome and Zurich. Delta hopes to improve services to passengers through using advanced computer technology and to cut operating costs.

Tha airline chose London in preference to sites in Ireland and the Netherlands because London offered a skilled multilingual workforce. The government also provided a £900,000 regional selective assistance grant.

Stefan Wagstyl, Industrial Editor

Chapter 11 emulated

Small companies facing insolvency are to be allowed 28 days' protection from creditors to put together a rescue plan, under proposals announced by the government yesterday. The government will also investigate whether receivers, often appointed by banks, could be replaced by administrators in some cases. The primary duty of receivers is to recover lenders' debt and secure a sale, while for administrators the priority is to save the business.

In addition, Mr Philip Oppenheim, minister for company affairs, is to consult businesses, banks and advisers on greater use of remedial rescue action short of insolvency. Mr Oppenheim said the small companies' moratorium would protect a troubled company from creditors while its directors, supervised by an independent expert, worked on a package to save it. The proposal, which mirrors part of the US's Chapter 11 approach to insolvency, is a government attempt to instil a "rescue culture".

Jim Kelly, Accountancy Correspondent

Cut in red tape urged

The government was urged to cut the red tape involved in the annual competition for state regeneration funds. The House of Commons environment committee endorsed the principle of a competition for the cash – expected to total £440m ($686m) this year – but said it was too complicated and could lead to wasted effort by bidders. The MPs said the single regeneration budget (SRB) challenge fund, launched in 1994, had "already demonstrated its potential to achieve excellent value for taxpayers' money". The contest encourages bids from public-private partnerships which compete for a share of the £1.3bn SRB funds.

George Parker, Westminster

Soldiers drug-tested: A total of 133 Army personnel have tested positively for drugs since compulsory testing was introduced in January, the government announced. Results are still awaited on 328 tests after introduction of the random testing of British Army units throughout the world. So far 14.5 per cent of all British soldiers have been tested.

Lousy suggestion: A former government minister urged parents whose children have head lice to wash their hair in whisky. The Earl of Gowrie, the Arts Council's chairman, a former chairman of the Sotheby's auction house and an ex-arts minister, said in the House of Lords: "If this demon strikes, a small application, externally supplied, of good Scots whisky does the trick."

The Guinness appeals and other UK News, Page 12

The Guinness appeals Fraud investigators and ministers are vindicated by ruling in share support case

Court rejects pleas from four City figures

By John Mason,
Law Courts Correspondent

The conduct of UK ministers and fraud prosecutors over the Guinness affair was vindicated yesterday when the Court of Appeal upheld the convictions of four City figures found guilty of organising the fraudulent share support operation behind the drinks company's 1986 takeover of rivals Distillers.

Three judges dismissed claims by Mr Ernest Saunders, the former Guinness chairman and chief executive; Mr Gerald Ronson, the Heroo Group chief executive; Mr Tony Parnes, the former stockbroker; and Mr Jack Lyons, the financier, that their 1990 trial had been unfair.

The court's judgment was received with relief by government ministers, the Serious Fraud Office and the Crown Prosecution Service. A ruling in favour of the four men would have dealt a serious blow to the credibility of government agencies charged with fighting fraud in the City of London.

Mr Jonathan Evans, trade and industry minister, said the government was "very pleased" at the outcome. It demonstrated that ministers and the Department of Trade and Industry had acted with "propriety and proper care". Both the CPS, which began prosecutions over the Guinness affair, and the SFO, which brought the case to court, said the ruling vindicated their actions.

The four men had claimed documents they had been denied access to showed that features of the Guinness share support operation were common City practice in the late 1980s.

They also claimed there had been "collusion" between ministers, prosecutors and DTI inspectors not to bring in the police until after inspectors, using their powers to compel witnesses to answer questions, had gathered evidence against them.

The appeal court ruled that, while the SFO should have disclosed the documents, they would not have helped the four men argue they had acted honestly. The court also said there had been no improper co-operation between government agencies hy either ministers or civil servants.

The court also ruled that one of Mr Lyons' six convictions should be quashed on "technical" grounds. Mr Lyons will be repaid £500,000 of the £3m he was fined, hut remains stripped of his knighthood.

Afterwards, Mr Saunders said the ruling was "disturbing but no doubt politically convenient". He said the 1990 trial had been a politically motivated "showcase prosecution".

Both Mr Parnes and Mr Ronson, the latter through his lawyer, said they were "disappointed" with the ruling.

Next February, Mr Saunders will ask the European Court of Human Rights to uphold the ruling of the European Commission on Human Rights that his trial was unfair. Yesterday both Mr Parnes and Mr Ronson indicated they might join that action.

If the ruling is upheld, the UK government will find itself in conflict with the European Court over its removal of the "right to silence" from suspected fraudsters.

Jury 'well justified' in deciding on convictions

The jury in the Guinness trial were "well justified" in convicting the four City figures responsible for the secret *share-support operation* that helped the drinks company win its 1986 takeover battle for Distillers, the Court of Appeal in London ruled yesterday.

Three judges, headed by Lord Taylor, the Lord Chief Justice, dismissed the appeals brought by Mr Ernest Saunders, the former Guinness chief executive; Mr Tony Parnes the former stockbroker; Mr Gerald Ronson, the Heron group chief executive; and Mr Jack Lyons, the financier.

"Despite the mass of paper and the factual complexity of some of the transactions, the issues in this cases were essentially stark and simple," the judges said. "They turned on the jury's view as to whether these appellants were proved to have acted dishonestly.

"*The combination* of indemnities paid by Guinness to purchasers of its own shares, the false invoices, the *huge success fees* and the failure to disclose either indemnitles or success fees even to the Guinness board provided *ample* evidence of a dishonest scheme in which all the appellants played their parts."

The four men had all used two main arguments to appeal against their convictions. The first – that cited by Mr Michael Howard, the home secretary, when he referred the case to the appeal court last December – *concerned the Serious Fraud* Office's decision not to disclose to the four men evidence of indemnities being used in other City deals.

The second was the claim that the Director of Public Prosecutions' office and Crown Prosecution Service had unfairly "colluded" with inspectors from the Department of Trade and Industry. The four men argued that the DPP and CPS delayed establishing a police investigation into the affair to enable DTI inspectors to first obtain the maximum amount of information using their powers to compel witnesses to give evidence.

Among the documents not disclosed to the four men were some concerning seven transactions between TWH, a *firm of share dealers and Lord* Spens of Ansbachers, the merchant bank. Lord Spens was charged over the Guinness *affair* but subsequently acquitted following the abandoning of his trial due to the ill-health of his *co-defendant Mr Roger Seelig* of Morgan Grenfell.

All the transactions involved Ansbachers giving an oral *indemnity to TWH to persuade* it to huy shares. Where TWH suffered losses it was reimbursed *and false* invoices used to cover the payments.

Other documents concerned merchant bankers Hill *Samuel's use of indemnities* to persuade others to buy shares in Turner & Newall during its failed 1986 bid for AE automotive components and a share buying "concert party" organised during the 1985 Burtons and Habitat bid for Debenhams.

The *four* appellants claimed these documents showed that practices similar to those at the heart of the Guinness affair were common in the City and that therefore they had been acting honestly.

The court ruled that the *Serious Fraud* Office should have disclosed the documents as a matter of procedure. However, the documents would *not have helped* the four men persuade a jury that the use of indemnities and success fees in the Guinness affair were legal *and honest*, the jodges said.

"There is no reason to suppose that any of the so called 'leads' revealed by the *undisclosed material* would have or could have produced credible *evidence* of accepted or acceptable market practice *in relation to the Guinness arrangements*," the judges ruled. "The verdicts of the jury would inevitably have been the *same* had disclosure been made," they said.

The court dismissed the "abuse of process" argument over supposed collusion between the DPP, CPS and DTI, saying that all had acted correctly.

Parliament had allowed for DTI inspectors to pass on their findings to prosecutors and for the varions agencies to co-operate and exchange information, the judges said.

There would only have been *wrong-doing* by the *state* agencies if the prosecutors interfered with the independence of the DTI *inquiry*. This had not happened, the judges said.

The court quashed one of the six convictions of Mr Jack *Lyons* - a *charge* he had conspired with Mr Saunders over arranging one of the indemnities. The Court of Appeal had previously quashed Mr Saunders' conviction on this charge on technical grounds eo Mr Lyons conviction should be reversed too, the court ruled. Mr Lyons will now be repaid £500,000 of the £3m fine *he paid after his* conviction. However, he will remain stripped of his knighthood.

Mr Parnes and Mr Ronson were ordered to pay £50,000 towards the Crown's costs. Mr Lyons was ordered to pay *£41,668 costs. Mr Saunders* was ordered to pay £50,000 hut only subject to a future court order because he is on *legal aid*.

The four men are now considering a further appeal to the House of Lords over the "abuse of process" argument. However, the main legal challenge to the Guinness convictions remains that being bronght in the European courts by Mr Saunders.

His challenge to the use in court of evidence gathered under compulsion hy DTI inspectors has already been npheld by the European *Commission on Human Rights*. If the Commissions's ruling is upheld by the European Court early next year, then the UK *government will find itself in* conflict with the European Court over a raft of legislation enabling the removal of the *"right to silence"*.

John Mason

Former stockbroker Tony Parnes leaves court yesterday with an unidentified female companion. He was the only one of the four Guinness defendants who attended yesterday's hearing

Labour party may abstain in vote on tax cuts

BUDGET 95

Mr Gordon Brown, the opposition Labour party's shadow chancellor of the exchequer, yesterday gave a clear hint that the party will abstain on the main tax-cutting proposals in today's Budget to avoid giving the impression that the party opposes lower taxation.

However, he said cuts in income tax would be offset by increases in other taxes – in spite of claims from the governing Conservative party that the Budget would mark a return to falling taxation.

Amid expectations that Mr *Kenneth Clarke, the* chancellor, will cut at least 1p off the 25p basic rate of income tax, Mr Brown said the Budget would amount to little more than "giving with one hand and taking with the other". Mr Brown said lower income tax would be partly funded by increases in municipal taxes.

He said these increases would be as high as 11 per cent in some areas. He added that income tax reductions should be set against the overall rise in taxation since the Conservatives were re-elected in 1992.

"Not even a 3p, 4p or 5p cut in income tax can undo the damage of a 7p rise over three years," he said. "A '7p up – 2p down' [announcement] leaves people 5p in the pound worse off."

Mr Brown declined to rule out *Labour* abstaining on the chancellor's tax cutting proposals. The shadow chancellor said Labour would vote against – or seek to amend the finance bill if it contained "any significant loss of revenue" on capital gains tax.

Mr John Major, the prime minister, has indicated that he wishes to see CGT and inheritance tax abolished as a means of *encouraging investment*, especially in small businesses. Reform of capital taxes is popular on the Conservative back *benches*.

Mr Brown said any attempt by the chancellor to impose a windfall tax on the privatised utilities would not stop Labour pressing ahead with its own reductions. But the chancellor ia thonght *unlikely* to announce such a tax.

Mr Brian Mawhinney, the Conservative party chairman, claimed in a pre-Budget attack on Labour that the opposition's economic credibility had collapsed as a result of Mr Brown's *"commitment* to increased spending". In a letter to Conservative MPs and activists, Mr Mawhinney said Mr *Brown's suggestions* that a Labour government would cut taxes was "nothing more than a cynical attempt to deceive *the electorate*".

"Gordon Brown pretends that he will be able to meet his spending plans with a one-off *windfall tax on successful privatised* industries," Mr Mawhinney said. "So far we have identified 11 pledges *which Labour spokesmen* appear to be intending to pay for through the one-off tax."

Today, for the first time, the FT's Budget coverage will be available to Internet users on the World Wide Web. Readers around the globe will have an early opportunity to assess the *chancellor of the exchequer's* speech with the help of the authoritative reporting, analysis and comment of the FT.

Special UK Budget 95 pages at our Web site (http://www.ft.com) already contain a *series of background articles*. Throughout this evening we will add the full range of news, analysis and reaction *which will appear in the* detailed Budget supplement being published in tomorrow's UK edition of the FT.

Over the next few days, the FT Web site will cover further developments, including the pnblication of the Finance Bill, and political and market reaction. Introducing our Bndget coverage to the Internet is just one of the ways we are using new media to deliver information to our readers all over the world.

– Richard Lambert

The Business Section also appears in Section 2

Meter award winner

An ultrasonic gas meter – developed in partnership between British Gas and Gill Electronic R&D, a small research and design consultancy in Hampshire – has won the £50,000 MacRobert Award, the leading UK prize for engineering innovation.

The Royal Academy of Engineering presented the award last week to three engineers from British Gas and two from Gill. Their ultrasonic meter is being produced by Eurometers, a BTR subsidiary, and 500,000 will have been installed in British homes by the end of the year. British Gas's target is to replace all 18m of the country's old-fashioned diaphragm meters within 20 years.

The ultrasonic meter is more accurate than its predecessor and can also communicate electronically, for remote meter reading and other purposes.

It works hy transmitting bursts of high-frequency sound both with and against the flow of gas, on the principle that a shout down-wind reaches its target more quickly than a shout against the wind. The meter works out the flow rate – and therefore the gas consumption – from the difference between the transmission times.

A second generation of ultrasound meters, now under test, incorporates a valve to switch off the gas supply if it detects an unusnal variation in flow, as might occur in a fire. The shut-off valve could also be linked to electronic sensors for carbon monoxide and smoke.

Gill bas applied the same ultrasound technology to monitor premature babies' breathing. Artificial ventilation systems need sensitive control, because the baby's lungs or brain may be damaged if the air flows at the wrong rate.

A miniature version of the gas meter can measure air flow from tbe baby more precisely than any other instrument, according to doctors at St Mary's Hospital, London, where it is on trial. If it detects a problem, an alarm alerts medical and nursing staff.

Clive Cookson

Vanessa Houlder looks at retailers' enthusiasm for cheaper and more sophisticated sources of information

Database mining

Marketing once had a personal touch. Customers shoppad in small stores where their tastes and preferences were known, and shopkeepers would do what they could to suit them.

But by the time tha multiple chains had taken hold in the 1960s and 1970s, shops had relinquished their individual relationships with customers in favour of mass marketing techniques.

Cheaper and more sophisticated database technologies are now encouraging marketers to try to get the best of both worlds. At well as benefiting from economies of scale that allow them to offer variety and low prices, they are developing a detailed picture of their customers' needs that allows them to offer a better service.

This insight into customer behaviour has been made possible by more sophisticated methods of storing and exploring information. Increasingly, marketing experts can sift, slice and manipulate huge amounts of data in ways that give them new insights into their customers and new marketing options.

These insights are exploited in a variety of ways by banks, retailers and manufacturers. For example:

- *Supermarket chains analyse* cash register data to discover what items customers typically buy at the same time. This information can then be used to devise better floor and shelf layouts. For example, when Wal-Mart, one of the US pioneers of data warehousing, crunched tha sales figures in its stores it found that nappy and beer sales both rose on Friday evenings. That insight – stemming from the shopping habits of men with young children – encouraged it to place nappies close to the beer.
- Organisations can discriminate between valued customers whom they want to retain and those who are likely to be less valuable over the long term. Some airlines use records stored on their databases to upgrade frequent customers to first class in preference to occasional travellers.
- Companies can improve their planning. British Airways, for example, uses a data warehouse to help it make decisions on issues such as what mix of fares should be used on which routes.
- Companies can improve the response rate to direct mail campaigns by being more discriminating about the households mail is sent to. Currently, direct mail is the single biggest application for database marketing, according to 500 UK businesses surveyed in a recent study on "dataculture" by the London-based Henley Centre.

The perceived importance of this application is immense, according to a recent survey of 100 UK companies by the Manchester School of Management. Nearly all the respondents plan to use IT-driven direct marketing within the next five years; over half of them expect it to become their most common promotional method.

Findings like this support the Henley Centre's assertion that "database marketing is one of the hottest topics in the marketing community". Yet enthusiasm is often tempered by scepticism. A third of the respondents to the Henley Centre survey agreed that "database marketing is fine in theory but less good in practice".

Some companies are put off by the speed at which technology is moving. They have had bad experiences of investing in technology that proved obsolete. Many organisations own outdated database systems left over from the 1980s.

Among the wary, there is some scepticism about "data warehouses", one of the latest developments in information management. For others, there is immense enthusiasm for the flexibility and rapid access to data they allow.

A data warehouse is a collection of information from many different sources, such as electronic point of sale, billing, sales and customer services. This body of data is organised specifically to make it easy to perform on-line queries. The idea is that just as products stored in warehouses can be easily accessed, so can information be extracted from a data warehouse.

The popularity of data warehouses is fuelling demand for "parallel processors", computers that put tens or hundreds of processors to work on tha same problem. Problems that would take days to analyse can now be done in minutes.

DunnHumby Associates, a consultancy that analyses data for companies such as Tesco, says that its £500,000 investment in a massively parallel processor means it is able to analyse very large amounts of data, such as that from Epos systems, up to 100 times faster than before.

Even with very fast analysis, it is important to simplify data by classifying it into segments that describe the behaviour of particular groups of customers, according to Clive Humby, strategy director of Dunn-Humby Associates. "At the outset of working with Tesco, there was criticism that there would be too much detail. But once yon build segment strategies, it becomes manageable," he says.

A marketer might slice the data into segments using any of a raft of different "data mining" techniques that can sift, collate and dig into the database. These techniques, some of which have come out of artificial intelligence, include "neural networks", "genetic algorithms", "rule induction", "decision trees" and "data visualisation".

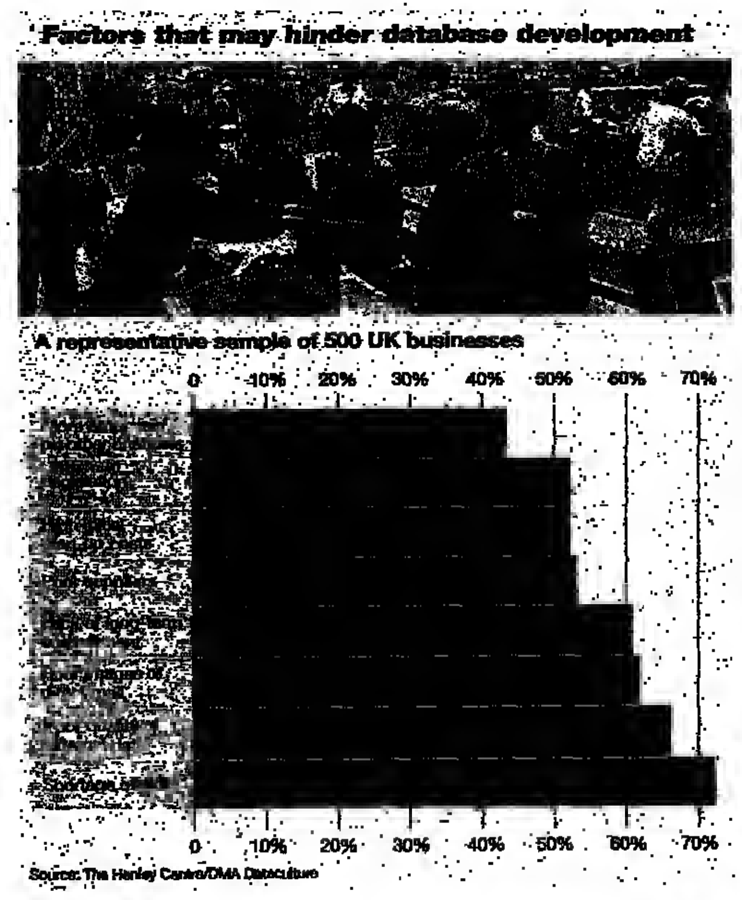
For example, a retailer might divide its customers into 16 different groups or market segments depending on issues such as their potential to spend more money, whether they use the store for their principal or top-up purchases and whether they are more sensitive to price or promotions. It could then adopt different marketing strategies to suit their different needs.

Marketing specialists are often torn between admiration for the analytical power that these techniques bring to their desktop and regret that technology is displacing creativity and judgment. A quarter of the respondents to the Manchester survey thought that "an increased reliance on IT for analysis has been at the expense of intuition and judgment."

Yet the caution is, perhaps, a measure of tha enthusiasm currently surrounding database marketing. The Henley report points to the huge scope for disappointment among those who fail to address potential pitfalls.

As the technology becomes cheaper and more flexible, the interest in the potential benefits of database marketing has become "overwhelming", it says.

Factors that may hinder database development



Source: The Henley Centre/DMA Dataculture

Throw away your chamois leather

The self-cleaning car is on its way, reports **Jenny Luesby**

White cars with graffiti drawn in grime, windscreens coated in sticky lime-tree glaze and eye-holes marked out by wipers – all these could become things of the past, thanks to Professor Adam Heller.

In a university laboratory in Austin, Texas – admittedly a place with few lime trees – Heller has invented the self-cleaning windscreen, and is well on his way to producing a self-cleaning paint to surround it.

The key is a coating made from titanium dioxide, a mass-produced chemical commonly used as the white pigment in paints and as a blocker in sun screens.

It has been known for 30 years, says Heller, that when sunlight catches tiny particles of titanium dioxide they burn off nearby organic matter.

But "like any catalyst, they are sensitive", and the tiny amounts of sodium given off by glass normally deactivates them.

The breakthrough came when Heller found a way to stop glass from leaking sodium by pickling it in a vat of boiling sulphuric acid – at 500°C – for 30 minutes.

This draws out the free sodium, so that when a titanium dioxide coating is sprayed on to the glass it burns off finger-prints, oil, fuel residues, car emissions and even the dreaded lime-tree glaze.

Heller has yet to sell the idea to car makers, although he is in talks with several companies.

He does not believe the boiling vats are a stumbling block to production, as an acid spray used during the standard glass-making process would draw out the sodium.

A more serious obstacle is the increased reflectivity of the glass, which creates an image of the dashboard on the inside of the screen.

This could be countered by coating the glass with a polarising film or the dashboard with a non-reflective coating. Such treatment would mean that a self-cleaning windscreen would cost the consumer an extra $100 (£63) or so.

In Japan Toto, the tiles manufacturer, is already selling self-cleaning tiles for hospitals and bathrooms, based on a similar technology. They are capable of killing bacteria completely, but only if they are exposed to sun or ultra-violet light.

The titanium dioxide needs UV light to spark off its reaction with organic materials in the same way that normal combustion needs heat, says Heller.

Nearly all paints contain titanium dioxide to make them opaque. However, they have not reacted with organic materials until now – even when used outside – because the titanium dioxide particles used in pigments are too large, at around 180-200 nanometres.

This has been a bonus, since it has protected the other ingredients in the paint from the same reaction. But if 5-nanometre particles are put into the paint – being held in a binder keeps them separate from the other ingredients – they create self-cleaning paint that does not destroy itself, says Heller.

However, he says that none of these breakthroughs will mark the demise of the detergent-laden bucket of water. If the organic matter is too thick to allow light to penetrate, the titanium dioxide will never be activated. And, even with light, it will not burn off inorganic matter such as soil.

A solution for this kind of dirt could be found through botany, rather than chemistry.

In Germany, Wilhelm Barthlott, a professor at Bonn University's Botanical Institute, is pursuing a self-cleaning technology inspired by the rough, wax-coated surface of lotus leaves.

Dirt can hardly get a hold on the leaves, as most of the surface area is kept out of reach by a mass of protuberances. Where it does get attached, on the exposed tips, its grip is weakened by the wax.

Rain drops, which absorb the loosely held dirt, are themselves repelled by the rough, waxy surface, so they end up carrying the dirt away as they fall off.

It may be some time before builders and decorators are applying lotus leaf coatings or paint containing burners triggered by sunlight, but self-cleaning is definitely on its way.

LAW

No vacuum in benefit rules

EUROPEAN COURT

German legislation limiting to six months the retroactive effect of applications for family benefit is not contrary to European law, the European Court of Justice ruled last week.

The ruling was given in response to a question raised in proceedings between Spanish national Mr Alonso-Pérez, and the German Federal Labour Office concerning the grant of benefits from January 1986 to September 1988.

Mr Alonso-Pérez had been employed in Germany since 1978, but his wife and two daughters continued to live in Spain. In April 1989 he first applied for and was granted family benefit by the German authorities, for the future and retroactively for the preceding six months. The six-month retroactive limit was imposed by German legislation.

The application of social security provisions to workers and their families moving within the European Union is governed by two European regulations, one substantive and the other procedural. Shortly after Mr Alonso-Pérez was granted benefit, the substantive regulation was updated and amended by the Council of Ministers. As a result he sought extra payment of arrears to cover the period between Spain's accession to the EU in January 1986 and the date from which he had already received benefit.

This claim was dismissed, but on appeal, the Higher Social Court of the Rheinland-Pfalz took the view that the dispute's outcome depended on the interpretation of the amended regulation. The German court decided to stay the appeal and ask the European Court whether the amended regulation prevented a national law limiting the retroactive effect of applications for family benefit to six months from applying to an application by a Spanish national.

The Court first reviewed the context and legislative history of the regulation. As originally adopted the regulation contained a special derogation for France, but following proceedings before the European Court this had been declared invalid because it was discriminatory. In a second judgment, the Court had clarified its position by holding that the system for payment of family benefit in the regulation was of general application. It was in response to these two judgments that the regulation had been amended.

The Court also reviewed the transitional regime under the Spanish Act of Accession. It concluded that Spanish nationals who worked in a member state other than Spain, but whose families resided in Spain, were entitled to family benefit in the state in which they had been working since the date of Spain's accession. However, they could rely on that entitlement with retroactive effect only from January 15 1986, which was the date from which the amended regulation applied.

The amended regulation did not expressly govern the question of whether a member state may apply its national provisions limiting retroactive effect. Mr Alonso-Pérez and the Spanish government therefore argued that this "legal vacuum" should be filled by recourse to the two-year time limit contained in the transitional provisions of the earlier, unamended regulation.

The Court rejected that and restated its view that, in the absence of European rules on the subject, it was for the domestic legal system of each state to designate the courts having jurisdiction and to determine the procedural conditions governing actions for the protection of citizens' rights under European law.

The Court therefore concluded that the absence of European rules did not create a "legal vacuum" which had to be filled, and that the German legislation limiting the retroactive effect of applications for family benefit to six months from the date of application was lawful and not contrary to European law.

C-394/93: Gabriel Alonso-Pérez v Bundesanstalt für Arbeit, ECJ FC, November 23 1995.

BRICK COURT CHAMBERS, BRUSSELS

INTERNATIONAL PEOPLE

Dalziel goes to Mayne Nickless

Corporate Australia has seen plenty of management changes recently and some have involved a certain amount of sector-jumping – as witness the appointment of Bob Mansfield, former boss of Optus, the telecoms group, to run John Fairfax, the newspaper publisher. But the choice of Bob Dalziel as the new managing director of Mayne Nickless, the transport, security and healthcare group, has caused more surprise than most.

Dalziel, 49, comes from the embattled Coles Myer retail group, and his background is firmly in consumer products. He started as a trainee with Unilever's Australian arm; spent some time with T.J. Lipton in New York; worked briefly for Thomas Cook; and then joined Grace Brothers, the department store group which eventually became part of Coles Myer. Throughout Coles' recent traumas, Dalziel remained part of the small executive board, which kept the show running. He had charge of the Kmart, Target and Fosseys discount stores, where annual sales total about A$5bn.

Quite how this experience will benefit Mayne – whose business covers the likes of trucking, alarm systems, and, increasingly, hospital management – seemed to puzzle the market, which marked the shares up four cents, and then down 10 cents in the days following news of the appointment. Mayne claimed that there were "service" industry parallels.

Still, any crisis management experience gleaned from Coles could be handy. Like the retailer, Mayne has had its problems recently – including a price-fixing case, settled just under a year ago, brought against it by the Trade Practices Commission (TPC), Australia's competition watchdog. Bill Bytheway, Dalziel's predecessor as managing director, resigned unexpectedly in June after differences with the board' over the group's future direction. *Nikki Tait*

Fokker departure

Rennie Hendriksen, finance director at Fokker, the loss-making Dutch aircraft maker, is to leave the company on January 1 to become a member of the board of Price Waterhouse in the Netherlands. Since taking up his job in 1991, Hendriksen has seen a series of upheavals at Fokker, culminating in the acquisition of a controlling stake by Daimler Benz Aerospace (Dasa) of Germany in 1993.

Soon after the Dasa takeover, Reinhard Volk was sent to Amsterdam from Germany to look after financial controls at the company. This led to speculation that Hendriksen would eventually vacate his post and that the position would not be filled. Fokker declined to comment, saying a decision on Hendriksen's succession had not yet been taken. On Hendriksen's departure, the Fokker board will contain only people who have been appointed since the Germans took control. *Ronald van de Krol*

SA business body

Leslie Boyd (left), the newly elected chairman of Business South Africa, the business arm of the country's tripartite National Economic Development and Labour Council (Nedlac), is known as something of a maverick at Anglo American Corporation, where he is deputy chairman.

The 58-year-old Scotsman has worked his way up from the factory floor, unlike the rest of Anglo's deputy chairmen. He started his career in the British steel industry but was head hunted by Anglo's Graham Boustred in 1970 to be works manager of the South African group's first venture into steelmaking, Highveld Steel. Hence his nickname "the Steel Man of Anglo".

Business SA was established in April 1994 to represent business interests in the run-up to last year's first democratic election. Its aim now is to help create an "investor-friendly climate", says Boyd, who is chairman of Anglo American Industrial Corporation. *Mark Ashurst*

Prague lawyer's move

White & Case, the blue chip US law firm, has found a replacement for Daniel Arbess, the high profile head of its Prague office. Jan Matecjek, 41, who joined White Case from Squire Sanders Dempsey earlier this year, is the firm's first Czech executive partner and will oversee 15 lawyers.

Arbess was one of the best known foreign business lawyers in Prague. He had advised the Czech government on several privatisation transactions, including the sale of Skoda to Volkswagen and the recent partial privatisation of the Czech oil refining industry. His departure, to run a US-backed investment company taking stakes in recently privatised companies in the region, had dented White Case's ambition to be the country's leading law firm for multinational business.

Madonna chairs KPMG

KPMG, one of the global Big Six accountancy firms, has appointed Jon Madonna, chairman and chief executive of the US firm, as chairman of the worldwide firm.

Madonna plans to direct the firm from his offices in New York. KPMG earns more than 70 per cent of its revenue outside the US and operates in 140 countries.

The US firm has recently reported a 10 per cent rise in revenues following a transformation of its operations in 1993, when it chose not to follow competitors in splitting its consulting and auditing operations. Instead, KPMG chose an integrated strategy which offers clients audit, tax and consulting services tailored to their industry.

Madonna joined KPMG in 1968 following service in Vietnam with the US Army. He became managing partner of the San Fransico office and was elected to the board in 1987 – and chairman in 1990. *Jim Kelly*

ON THE MOVE

■ Dieter Schwartmann has been put in charge of all the business operations in Europe of ATL (Advanced Technology Laboratories), a worldwide leader in diagnostic ultrasound.

■ Meg Taylor, Papua New Guinea's former ambassador to the US, Joseph (Joe) Tanvasa, chairman of the National Airline Commission in Papua New Guinea, and Mark Soipang, a representative of the Papua New Guinea government, have joined the board of LIHIR GOLD, owner of one of the world's largest undeveloped gold resources.

■ Rudi Wuttke, treasurer of CATERPILLAR, retires at the end of January 1996 and will be succeeded by Lynn McPheeters, executive vice president of Caterpillar Finance Services. Both men have spent over 30 years with Caterpillar.

■ Gerald Graves joins the board of CHINA LIGHT & POWER, the Hong Kong electricity supplier, on November 30, following the retirement of Michael Clancy. Graves, formerly a vice president of Exxon Corp., will also replace Clancy as chairman of Castle Peak Power, a CLP associate company.

■ Sebastian Edwards, the Chilean chief economist for Latin America and the Caribbean at the WORLD BANK, is going back to the academic life he left three years ago, as professor of international business economics at the University of California, Los Angeles.

■ John (Jay) Cheatham, 47, succeeds Marlan Downey, 64, as president of ARCO International Oil and Gas, the international arm of Los Angeles-based Arco. Cheatham, who will be based in Plano, Texas, is currently responsible for the company's oil and gas activities in Europe, the Middle East, Africa, and the former USSR.

■ Carole Keeton Rylander is the new chair of the TEXAS RAILROAD COMMISSION, which regulates the oil and gas industry in Texas, replacing fellow Republican Barry Williamson. Rylander, a former mayor of Austin, was elected to the commission last year.

■ Sanford Weill, chairman of Travelers Group, becomes chairman of the NATIONAL ACADEMY FOUNDATION, the US high school educational program. He replaces Vernon Jordan, a senior partner in the Washington, D.C. law firm of Akin, Gump, Strauss, Hauer & Feld.

■ John King, 62, a former director of British Telecom, has been appointed non-executive chairman of OLIVETTI UK. He has been a director since 1991.

■ Anders Palm, 62, is stepping down as managing director of STORA HYLTE at the end of the year after 15 years in the post. He will be replaced by John Svensson, managing director of Stora Kvarnsveden. Lars-Ove Staff, production manager of Stora Kvarnsveden, replaces Svensson.

■ Bradford Solso, formerly a senior vice president at Visa International, has been appointed chief financial officer of C.ATS SOFTWARE, a provider of technology solutions for derivatives finance and risk management.

■ Lance Wyatt, 51, succeeds Daniel Struble, as vice president, corporate engineering, at ABBOTT LABORATORIES, manufacturer of health care products. Struble is retiring.

■ Colin Moynihan, a former UK energy minister, has joined the board of Canada's RANGER OIL. He replaces the late Sir Peter Morrison.

■ Michael Brigden has been appointed head of correspondent banking at NATIONAL COMMERCIAL BANK's international division. Brigden, who recently completed 29 years with the National Westminster Bank, will be based at the head office in Jeddah, Saudi Arabia.

■ Brian Thibideau is joining CIBC WOOD GUNDY SECURITIES to run the organisation's Canada, provincial and municipal bond desks, as well as the bond options and futures groups. He will be based in Toronto. Thibideau, who joins in January, had run Goldman Sachs' fixed income business in Canada for eight and a half years.

■ Joseph Carballeira has been appointed head of PARIBAS CAPITAL MARKETS' US government securities sales and trading activities worldwide. Carballeira was previously responsible for US government securities activities at Smith Barney.

■ Manfred Westmark has been named as COFINEC's group executive for the Czech Republic. He was previously deputy general manager at Petofi Printing & Packaging Company, a Cofinec company in Hungary. Cofinec is a leading manufacturer of printed packaging products for food, beverage, tobacco & consumer products companies in Central Europe.

■ Stephan Haeberle, Barbara Heller, Daniel Jeseneg, Thomas Schwendener and Beatrice Zwicky Staub have been promoted by BANK LEU to the management team at the bank's headquarters with effect from January 1.

■ Cynthia Montgomery, professor of business administration at Harvard University, has been named a director of NEWELL Co, an Illinois manufacturer of consumer goods.

■ Lewis Glucksman, former chairman and ceo of Lehman Brothers and vice chairman of Smith Barney since 1988, has been elected to the board of RISK CAPITAL HOLDINGS, a US reinsurance company.

■ Eric Vonderscher has resigned as a director of ELF PETROLEUM UK and been replaced by Philippe Trepant.

■ Max Dietrich Kley has been appointed to serve the remaining term of office of Dr Guenter Hartwich on the supervisory board of MANNESMANN DEMAG.

■ Claas Kleyboldt, the management board chairman of CKAG Colonia Konzern, has been appointed supervisory board chairman at COLONIA-NORDSTERN VERSICHERUNGS-MANAGEMENT of Cologne. Herbert Mayer becomes deputy chairman.

■ BAA, the UK airports group, has appointed Andrew Jurenko, 44, to head its bid for licences to operate Australian airports which are due to be privatised. Jurenko has until recently been managing director of BAA Pacific, based in Hong Kong.

Takao Tateishi

Takao Tateishi, chairman of Japan's Omron Corporation, has died at the age of 63. Tateishi became chairman of the Kyoto-based control equipment maker in 1987 after serving as president for eight years from 1979. He was also a senior member of various industry and economic groups in western Japan.

Israel Cohen

Israel Cohen, who built Giant Food into the largest retail grocery store chain in the US, died last week, at the age of 83. As chairman of Giant Food, Cohen commanded a tight-knit organisation that employs more than 26,000 people and generates annual sales of $3.7bn.

International appointments

Please fax announcements of new appointments and retirements to +44 171 873 3926, marked for International People. Set fax to 'fine'.

هكذا من الاصل

There are still ways to make art other than building an installation or showing a video camera at it: 'Still life with Skull' by Brian Sayers

Works of art for our eyes only

With relief, William Packer welcomes an exhibition with no socio-historical 'issue' attached

After the spurions avant-garde posturings of the British Art Show, and on the very day the narrower "cutting-edge" pretensions of the Turner Prize are to be adjudicated, it is a relief to turn to *The Discerning Eye*, now being revived after an interval of three years.

The only pity is that it enjoys so short a run – barely ten days. It makes no claim other than for its discernment, which is to declare the personal commitment of its selectors. By its very structure, it can only be catholic and undoctrinaire. It defies the current orthodoxy that any significant work of art should fill the room. Above all, it shows that there are still, even now, other ways of making legitimate art than by shoving a video camera at it, or building an "installation", or confronting some half-baked socio-historical "issue".

That structure is simple, and the point obvious. Two artists, two critics and two collectors comprise the panel for the exhibition, the selection of which is addressed in two ways. Each of the selectors invites a number of artists to show. Together they also adjudicate the open submission. Bnt there is no hiding behind that collective judgment, for the jointly-chosen work is then allocated among them as part of their personal selections. Nothing is shown without a clear responsibility being taken for its inclusion.

The past list of those who have taken on this task is already distinguished. This year, the artists are the surrealist, Patrick Hughes; and Bryan Kneale, sculptor and late professor of drawing at the Royal College. The two collectors are Colin George, a retired businessman; and Julian Spalding, director of the Glasgow museums and art galleries. David Lee is the editor of *Art Review*, and Edward Lucie-Smith, a poet and a prolific senior critic.

As Hughes says in the catalogue, "my reaction to the art offered to us may tell you more about me than the art", and indeed it is the personal flavour of each section, even when, as often happens, certain artists appear in more than one, that gives *The Discerning Eye* its character overall. Hughes grumbles at what he felt was a general tameness in the open submission – "not enough *joie de vivre*, bloody-mindedness, silliness" – but his own selection rather belies the supposed deficiency. Glen Baxter, for example, is always a delight. And in showing the exquisite still-lifes of Victor Newsome, Hughes has chosen the most truly distinguished works in the entire show.

George, on the other hand, plays safe. "Not for me the large daubs of nothing in particular which art schools have encouraged . . . at the expense of drawing skills and painting techniques". Wa do not have to agree entirely to take something of his point, given that his choice includes Jehan Daley, Michael Reynolds, John Ward and the ever-admirable Tom Coates. I also admired a free, light study of trees by Stephen Meyer.

For Kneale, the choosing was "a form of decision-making that comes from experience, conviction and sureness of eye." Clearly so, and with him rests responsibility for most of the sculpture which includes a relief by Nigel Hall, two elegant constructions hy David Annesley, a wonderful bronze hen hy Nicola Hicks, and a head of almost Giacometti-like refinement by Cathie Pilkington.

For Spalding, the only official art-world professional of the group, "this business of looking at art" was "hard work". "When you first see a work of art, you have to forget everything you know so that you can respond to it freshly." Certainly he was fresh enough to inclnde Brian Sayers, one of the principal prize-winners. But with artists such as Craigie Aitchison, John Bellany, Stephen Campbell, John Maclean, Alan Davie and Sandra Blow invited, his section, also the smallest, does seem the most reliant on established reputation.

Lucie-Smith's is by contrast "unashamedly capricious . . . a cross-section of things that I happen to like . . ." All is figurative, abstraction ruled out on grounds of scale. His taste for the narrative, the ambiguously surreal, the metaphysically intense – a pile of stones by the under-rated Harry Holland, a still-life by Michael Leonard, a flower in a glass by Christopher Cook, carnation stalks by Ivor Davies. Leonard McComb and John Bellany are the only truly well-established artists among them.

Lee completes the show with a rohust and varied selection that is again all figurative. "I like paintings in which brushstrokes simultaneously evoke and describe without resort to the dogged hard labour of painstaking depiction." And so he gives us a Breton springtime seafront by Tom Coates, a skull by John Devane, an evocation of a Chelsea interior hy Derek Ellwood, a dark study of a girl's head by Ansel Krut. Most characteristic, perhaps, is the fragmentary, almost scrappy drawing, yet none-the-less exquisite for that, of bare trees beside a salt-marsh, by Stephen Turner – no painstaking depiction there.

The Discerning Eye 1995 – The Mall Galleries, The Mall SW1, until December 3: sponsored by Browns Restaurant & Bar.

Huddersfield Music Festival

Nono revelation

In the reckless profusion of music that is the Huddersfield Contemporary Music Festival – four or five concerts daily for a week and a half, not to mention opera and dance, from 11 in the morning to 11 at night! – there are always themes that hold the thing together. Generally they are up-to-the-minute surveys of particular composers' work, such as we get in London only when the composers are already well-established and widely recognised.

Huddersfield is mnch bolder, thanks to the judicious enthusiasm of its director Richard Steinitz (and generous support from the Halifax Building Society, with many other sponsors here and abroad). It is for real *aficionados* of new music, committed enough to forgo lunch and dinner – and you need a *very* hearty breakfast.

This year for the first time, one of the "themes" has been the music of a dead composer: Luigi Nono (1924-1990), the Italian communist who used to be known as the third member of a radical triumvirate with Boulez and Stockhausen. Although his earliest music has fallen into neglect (Sunday's performance of his 1950 *Canonic Variations*, by the English Northern Philharmonia, reminded us why: callow, naively serialist stuff, scarcely distinguishable from what third-year students produce now), and his middle-period "political" pieces are currently out of fashion, the works of his last decade exert a rare, original fascination.

They continue to fascinate composers and listeners alike. "Fragmentation" is their keynote: densely laden phrases and pithy paragraphs with long, pregnant pauses – seemingly no development, but only discontinuity, poignant simplicity and serenity. They require live, breathing performances, not just recordings, to make their full effect. Memorably, Huddersfield gave us two of those, both with the violinist Irvine Arditti.

One was Nono's 1988 *La Lontananza Nostalgica Utopica Futura*. (You might guess at a psychological crisis ensuing upon the collapse of humane communism, but that would be crude and probably wrong.) Although the score is fully written-out, its ordering is fluid. The solo violin, ruminative and gentle, must wander freely around the hall, weighing and adjusting his part against an equally free, disembodied electronic accompaniment from all directions, pre-recorded by himself six times over.

The electronics man – here André Richard, a thoroughgoing musician – is thus almost an equal partner, choosing which channel to bring up from moment to moment, both prompting and responding to his soloist. In a performance as sweetly, marvellously sensitive as last Thursday's, the music glowed with depth and feeling. Sometimes it seemed to be raining violins from on high; sometimes it drew in upon the still, small voice. Not for a moment did it sound random, nor anything less than a unique artist's statement.

The other Nono revelation was not his 1987 grandiose-but-delicate *Caminantes . . . Ayacucho* for the large forces conducted by Arturo Tamayo on Sunday (the title goes back to a favourite Nono inscription: "Pilgrim, there is no pathway, only travelling itself"), in which the meaningful pauses were fatally flat; still less his 1981 bass-flute concerto *Das atmende Klarsein* on Friday, with choir and electronics, which needs ears far more keenly attuned to the rarefied harmonics of the bass flute than most of ours are.

Rather, it was his 1980 *Fragmente-Stille* – played on Sunday by the superlative Arditti Quartet, for the *n*th time, admittedly, but practice makes perfect. Nono himself judged their performance "benissimo" when they tried it on him, and so it seems to me. Inspired by Hölderlin, it speaks raptly and at length, with thoughtful eloquence but without illusions, of a kinder world than we know.

David Murray

Theatre/Ian Shuttleworth

A Gordian knot of intrigues

Henry Fielding's career as a playwright is often forgotten: the anthor of *Tom Jones* turned to novel writing when the Lord Chamberlain's office introduced theatrical consorship. Paul Godfrey's adaptation of Fielding's 1734 play *The Modern Husband* – which portrays the financial by-products of extra-marital nookie as a kind of grey economy – is a less than rumbustious affair and Nick Philippou's production for the Actors's Touring Company feeds the play unwisely through a coarse filter of post-modern posing.

The programme's elevated talk about reversals of power and gender relations is largely grounded in the common trope of husbands (in this case Messrs Modern and Bellamant) behaving compliantly towards their capricious wives. Any dramatic subversion arises less from the sexual than from the monetary aspect, as husbands find themselves bankrolled by income from their wives' amours. In a cleverly contrived chain of events, Bellamant realises with shock that the banknote that he has begged from his wife to give to his mistress Mrs Modern is the same one he had already given her: it had made its way back home via the unctuous Lothario Lord Richly, a former lover of Mrs Modern now setting to work on Mrs Bellamant.

This Gordian knot of intrigues is the sole plot-strand of Godfrey's slimmed-down version. Unfortunately, director Philippou goes for style rather than energy. His taste for artificiality can work surprisingly well given the right vehicle, but here he gets carried away with imposing on the play a late 20th-century interpretation.

Thus, Gerrard McArthur is given to uttering Lord Richly's lines . . . Terribly. Slowly. And. Crisply . . . giving him the air of Charles Gray playing a villain in *The Avengers*; Shelly King's Mrs Modern is likewise big on physical gestures, which she makes with the deliberation of a Burmese temple dancer. Only the Bellamants escape such an inch-thick veneer, possibly because at bottom they are sincere figures (although Mr B – Richard Cant – is "playing away"), and even they are called upon periodically to deliver sententious aphorisms with a full sense of their weight.

Kathy Strachan's design matches the playing style: period-ish costumes and furniture with added niggling touches, such as slide projection and rotating white-lit doorways. Tha prodnction as a whole looks great, but in sidestepping so deliberately from a straightforward presentation of the play ATC have disconnected themselves from the very dramatic and thematic developments that they were attempting to highlight.

At the Lyric Studio, London W6 until December 2 (0181 741 2311).

Gerrard McArthur and Jessica Lloyd Alastair Muir

Opera/Richard Fairman

Werther on tour

To get an idea of opera on the road there is nothing like reading accounts of companies touring to the depths of Cuba or South America in the 19th century. English Touring Opera might take a book like that for bedtime reading, if they need to keep up their spirits as they trudge round the middle-sized towns of England in mid-winter.

By last week the company had arrived at Canterbury. A month into its autumn season the productions are well run in: the staging goes smoothly, the singers benefit from familiarity, tha orchestra knows the music inside out. Given a small company's budget and the restrictions of having to perform each week in theatres of differing sizes and facilities, ETO has won itself a valuable reputation as a company worth going to see.

Occasionally it hits upon a winner, but neither of this autumn's pair of operas quite qualifies for that description. I did not see *The Barber of Seville* in Canterbury, but have memories of a less than fizzing evening when it was in London earlier in the year. The company's new prodnction of Massenet's *Werther* was a more satisfying experience, the efforts of everybody involved meriting a larger andience than turned out at the Marlowe Theatre on Friday.

Some top opera singers find *Werther* hard work, so it is brave of young voices like those at ETO to try it at all. Timothy Evans-Jones gave his best as Werther, even managing to hold a handful of fresh top notes in reserve for the end of the evening, and it is not his fault that the demands of the role are rather more than he could manage. Sarah Connolly's Charlotte was stronger and sturdier, as needs be.

There must be a danger that young performers would simply fall short of what is required in an opera like *Werther*, but time and again this performance lifted above its limitations. Truthfulness is more important, and the final duet, as Charlotte at last admits her love for Werther, made the heart best faster, just as much as any grander performance might. By and large Robert Chevara's production helped, despite his reluctance to leave Werther alone on stage. A lonely, romantic soul, communing with himself and nature, is what this opera is all about.

The smaller roles – Gail Pearson's bright Sophie and Ricardo Simonetti's very promising Albert – kept up a high standard. Martin André conducted without heaviness (only seven violins, admittedly) or excessive sentimentality. ETO's *Werther* deserves larger audiences, as it moves on round the country. It should warm cold hearts on a winter tour.

English Touring Opera's autumn season next visits Dartford, York and Bath.

INTERNATIONAL
ARTS GUIDE

■ AMSTERDAM

CONCERT
Concertgebouw
Tel: 31-20-5730573
● Muir Quartet: perform works by Haydn, Debussy and Bartók; 8.15pm; Nov 29; Dec 1

■ BALTIMORE

MUSICAL
Joseph Meyerhoff Symphony Hall
Tel: 1-410-783-8000
● Cole Porter on Broadway: selections from "Anything Goes", "Can-Can" and "Kiss Me Kate" performed by the Baltimore Symphony Orchestra and Chorus, with conductor Erich Kunzel. Soloists include soprano Kathrine Torrell, tenor Marc DuBois and baritone Daniel Narducci; 8.15pm; Nov 30; Dec 1, 2, 3 (3pm)

■ BOSTON

CONCERT
New England Conservatory - Jordan Hall Tel: 1-617-262-1120
● NEC Philharmonia: with conductors Richard Hoenich and Mei-An Chen perform the overture to Mozart's "Don Giovanni", Barber's "Essay No.1" and Copland's "Billy the Kid"; 8pm; Nov 29

■ COPENHAGEN

DANCE
Det Kongelige Teater
Tel: 45-33 14 10 02
● Royal Danish Ballet: perform the choreographies "Mysteries" by Brandstrup, "Woman in a Bathtub" by Sai, "Hommage à un Faun" by Elver, and "Room 7" by Christensen; 8pm; Nov 29

■ DRESDEN

OPERA & OPERETTA
Sächsische Staatsoper Dresden
Tel: 49-351-49110
● Fidelio: by Beethoven. Conducted by Christof Prick and performed by the Sächsische Staatsoper Dresden. Soloists include Rainer Büsching, Jukka Rasilainen, Siegfried Vogel and Renate Behle; 7pm; Nov 30

■ FRANKFURT

DANCE
Theater am Turm
Tel: 49-69-21237278
● Here to Here: a choreography by Saburo Teshigawara to music by Saburu. Performed by the choreographer and Kei Miyata; 8pm; Nov 29, 30; Dec 1, 2

■ HAMBURG

OPERA & OPERETTA
Hamburgische Staatsoper
Tel: 49-40-351721
● Die Zauberflöte: by Mozart. Conducted by Lothar Zagrosek and performed by the Hamburgische Staatsoper. Soloists include Simon Yang, Peter Galliard, Kirsten Blanck and Gabriele Rossmanith; 7pm; Dec 1, 3

■ HELSINKI

OPERA & OPERETTA
Opera House Tel: 358-0-403021
● Don Carlos: by Verdi. Conducted by Eri Klas and performed by the Finnish National Opera; 7pm; Nov 29; Dec 2

■ LONDON

AUCTION
Christie's Tel: 44-171-8399060
● Valuable Printed Books and Manuscripts, Autograph Letters and Music: including a rediscovered, complete copy of the blockbook Biblia Pauperum, Napoleon's autograph manuscript of English lessons taken during his captivity on St. Helena, and a presentation copy of tha first edition of Stendhal's "La Chartreuse de Parme"; 2pm; Nov 29
CONCERT
Barbican Hall Tel: 44-171-6388891
● London Symphony Orchestra: with conductor Georg Solti, pianist András Schiff, soprano Julia Varady and bass Laszlo Polgar perform Bartók's "Piano Concerto No.2" and "Duke Bluebeard's Castle"; 7.30pm; Nov 30
Royal Festival Hall
Tel: 44-171-9604242
● The London Philharmonic: with conductor Mariss Jansons perform Honegger's "Symphony No.3 (Liturgique)" and Mahler's "Symphony No.1"; 7.30pm; Nov 30
St. John's, Smith Square
Tel: 44-171-2221061
● Philharmonia Orchestra: with conductor David Parry, viola-player Rachel Roberts, saxophonist Carl Cassidy, cellist Alexander Chaushian and pianist Daniel-Ben Pienaar perform works by Britten, R. Schumann, Tchaikovsky, Porter, Dennis, Young and Ellington; 7.30pm; Nov 29
Wigmore Hall Tel: 44-171-9352141
● Lindsay Quartet: with clarinettist Michael Collins perform Haydn's "String Quartet in D minor" and Mozart's "Clarinet Quintet in A"; 6pm; Nov 29
OPERA & OPERETTA
Royal Opera House - Covent Garden Tel: 44-171-2401200
● Fedora: by Giordano. Conducted by Edward Downes and performed by The Royal Opera. Soloists include Maria Guleghina, Rosemary Joshua, Plácido Domingo (Nov 29) and Maria Jagusz; 7.30pm; Nov 29; Dec 2

■ LUXEMBOURG

THEATRE
Théâtre Municipal Tel: 352-470895
● Die Ratten: by Hauptmann. Directed by Wolf-Dietrich Sprenger and performed by the Düsseldorfer Schauspielhaus; 8pm; Nov 29

■ MADRID

CONCERT
Auditorio Nacional de Música
Tel: 34-1-3370100
● Katia and Marielle Labèque: with special guest pianist Gonzalo Rubalcaba, perform works by Mozart, Albéniz, De Falla and others; 7.30pm; Nov 30

■ NEW YORK

AUCTION
Christies, Manson & Woods International, Inc.
Tel: 1-212-546-1000
● Fine Objects of Vertu, Fabergé, American Paintings and Memorabilia from the Collection of Mr and Mrs Frank Sinatra: sale highlights include Frank Sinatra's personal Bosendorfer piano, his Jaguar XJS, a wedding gift from Mrs Sinatra to her husband in 1976, William Merritt Chase's painting "A Memory: In the Italian Villa", and a selection of works by Karl Fabergé, jeweller to the Russian Imperial Court, including two imperial presentation boxes; 10am; Dec 1
CONCERT
Alice Tully Hall Tel: 1-212-875-5050
● Guarneri Quartet: with pianist John Browning perform works by Mozart, Stravinsky, Turino, Wolf and Brahms; 8pm; Nov 29
OPERA & OPERETTA
Metropolitan Opera House
Tel: 1-212-362-6000
● Il Barbiere di Siviglia: by Rossini. Conducted by Adam Fischer and performed by the Metropolitan Opera. Soloists include Jennifer Larmore and Richard Croft; 8pm; Nov 30

■ PARIS

CONCERT
Salle Pleyel Tel: 33-1 45 61 53 00
● Orchestre de Paris: with conductor Günther Herbig and pianist Evgeni Kissin perform Tchaikovsky's "Piano Concerto No.1" and Dvorák's "Symphony No.8"; 8.30pm; Nov 29
Théâtre des Champs-Elysées
Tel: 33-1 49 52 50 50
● Orchestre National de Lille: with conductor Jean-Claude Casadesus and cellist Mstislav Rostropovitch perform Mussorgsky's "Night on the Bare Mountain", Dvorák's "Cello Concerto" and "Pictures at an Exhibition" by Mussorgsky/Ravel; 8.30pm; Dec 1

■ SALZBURG

EXHIBITION
Rupertinum - Salzburger Landessammlungen
Tel: 43-662-80422336
● Manfred Hebenstreit: prints, aquerelles and drawings by the Austrian artist; from Nov 30 to Feb 25

■ TORONTO

CONCERT
Roy Thompson Hall
Tel: 1-416-872-4255
● Toronto Symphony Orchestra: with conductor Jukka-Pekka Saraste and pianist Andre Laplante perform works by Debussy, Ravel and Dutilleux; 8pm; Nov 29, 30

■ WASHINGTON

CONCERT
Eisenhower Theater
Tel: 1-202-467 4600
● Exploring the genius of Beethoven: with pianist Joseph Kalichstein. First of a three-part series exploring the music of Beethoven; 8pm; Nov 29

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17.30
Financial Times Business Tonight

Midnight
Financial Times Business Tonight

COMMENT & ANALYSIS

Europa

Hurdles too high

Improving budget procedures is the best preparation for Emu, say Barry Eichengreen, Jürgen von Hagen and Ian Harden

The debate over the fiscal provisions of the Maastricht treaty is reaching a crescendo. Recent pronouncements by German officials have left no doubt that they will insist on strict application of the restrictions on government deficits and debts enshrined in the treaty. This insistence is designed to bar from economic and monetary union (Emu) countries reluctant to live with its budgetary implications.

Yet there is reason to doubt that the Maastricht criteria will achieve their aim. The treaty's government deficit and debt limits – set respectively at 3 per cent and 60 per cent of gross domestic product – are like fences in a steeplechase.

Set them too low and you learn nothing about the ability of the horses to jump. Set them too high and you again learn nothing, since all the competitors balk.

It is now evident that the framers nf the Maastricht treaty did indeed set the fences too high. Belgium and France, though committed to Emu and prepared to live with its fiscal consequences, appear unable to meet the requirements. Even the Netherlands, which is virtually in a monetary union with Germany already, will find it difficult to meet the debt limit by 1999.

The problem is that fiscal retrenchment of the sort required to bring debts and deficits down to the required levels would plunge Europe into recession. In a continant emerging from its worst recession in 50 years, this is something policymakers are understandably relnctant to risk.

Countries aspiring to participate in Emn will therefore point to the excessive cost of meeting the fiscal conditions and plead exemption. France may then be let in as a political necessity. But what about Belgium? And if Belgium is let in, what about Italy? Clearly, it will be hard to justify decisions that discriminate between states with similar debts and deficits. The result will be a bout of political horse-trading over membersbip in which nnmerical guidelines play no role.

The recent proposal by Mr Theo Waigel, the German finance minister, to set up a stability pact among Emu participants is fine in theory. It would commit these countries to run deficits not exceeding 1 per cent of GDP in normal times, and require a deposit of 0.25 per cent of GDP from countries violating the 3 per cent limit. It would also create a stability council to monitor compliance and issue guidelines for fiscal policy.

But there is little hope that a European Union already plagued by its inability to force members to abide by the rules of the single market could collect substantial fines. Moreover, fining a government with e revenue shortfall would increase its deficit.

When deciding whether to impose a fine, the stability council would probably seek to determine wbether the deficit was due to a revenue shortfall caused by cyclical conditions or to excessive spending. This would invite further political haggling that could rob the process of credibility.

The best solution is not stricter application of arbitrary indicators and penalties but reform of the procedures member states use in drawing up their budgets.

Study after study has shown that adopting "good" budgetary procedures belps countries run smaller deficits and accumulate smaller debts. "Good" procedures include: allowing the finance minister to structure the debate over the budget; an annual fiscal round beginning with a binding vote on the overall size of the budget; strict limits on the legislature's power to increase spending above that agreed in the budget, and a ban on supplementary budgets.

A more drastic way of achieving similar ends would be to establish in each EU country a natiooal debt board charged with setting a binding ceiling on the annual increase in public debt – with the power to enforce it. A binding limit would encourage special interests arguing for additional spending to acknowledge the existence of a global budget constraint and agree to difficult compromises.

Debt boards would be politically independent of the government, with membere appointed to long terms in office. Their mandate would be to safeguard the soundness of the public finances and, without compromising that priority, to promote the government's general economic policies.

This approach is consistent with that adopted to guide the policies of the European central bank. The framers of the Maastricht treaty were not so silly as to set arbitrary numerical targets for money supply growth. Instead, the treaty gave the bank a mandate to pursue price stability and specifiad the procedures it was to follow. It made its executive board independent, gave its members long terms in office, and forbade them from taking advice from national governments.

Similarly constituted national debt boards could adopt a long-term perspective on fiscal policy. They could authorise budget deficits in recessions, but offset these with subsequent surpluses. Pnlitical bias towards excessive deficits would be eliminated without placing fiscal policymakers in a straitjacket.

European governments are not known for delivaring impartial judgments on one another'a compliance with EU rules – as can be seen by the way they agree exceptions to the general ban on state aids and business subsidies. National debt boards, by contrast, would rely on national enforcement and on the close knowledge their members had of domestic fiscal conditions. In this as in other senses, they would be consistent with the principle of subsidiarity.

If Germany needs reassurance, other member states can provide it by reforming their budgetary procedures along these lines.

Barry Eichengreen is professor of economics at the university of California at Berkeley. Jürgen von Hagen is professor of economics at the university of Mannheim. Ian Harden is professor of law at the university of Sheffield

Converging: finance ministers meeting in Brussels yesterday to discuss Emn included Spain's Pedro Solbes (left) and Jean Arthuis of France (right) *Associated Press*

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'), e-mail: [illegible]

Cold calling ban will not harm industry

From Ms Annemarie Kuhn MEP.

Sir, In their article "Ban on 'cold calling' urged by committee of Euro-MPs" (November 22), Emma Tucker and Diane Summers report a likely considerable loss of jobs and eventual damage for the industry. It was not the intention of the parliament's consumer affairs committee to destroy jobs, and I doubt this predicted impact.

The prohibition of unsolicited telephone calls in countries such as Germany has not prevented the mail order and distance selling sector from being a well-established and growing industry. In fact, statistics show the per capita turnover in this sector is higher for example in Germany than in the UK, where cold calling is practised. All the committee voted for was to protect consumers across the EU from unwanted telephone calls. Should this committee decision become EU law, it should of course continue to be possible to use the telephone for mail orders and sales carried out at a distance, but at the consumer's initiative.

Annemarie Kuhn,
Europabüro,
Kaiserstrasse 26-30,
D-55116 Mainz,
Germany

From Mr Stephen and Mrs Barbara Pegg.

Sir, Lest anyone should think that the European parliament is without support for its proposal to ban "cold calling" by telephone, we would like to offer a brief response to the UK Direct Marketing Association'a suggestion that a threatened ban was unnecessary and would harm the industry.

The Telephone Preference Service was established earlier this year in the UK to enable consumers to register their wish not to receive unsolicited sales and marketing calls by phone.

Perhaps we could be told why people sitting in the privacy of their own homes should have to register a wish not to have that privacy invaded by some commission-driven salesperson who is determined to turn them into consumers.

As people who went ex-directory as a defence against these telephone menaces, we heartily applaud the European parliament's initiative and wish it every success.

It is long overdue.

Stephen and Barbara Pegg,
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Corporate America grows rich at people's expense

From Mr Guy Santo.

Sir, Good for Tony Jackson for asking, "how far the golden years of American prosperity were based on an unrepeatable set of advantages" ("The myth behind the miracle", November 22). I agree that it is irrelevant to question whether US industry can hold its own in an increasingly competitive world. However, I question the wisdom of saying that the advantages in markets, technologies and manufacturing techniques were the only or most significant causes for corporate America's former prosperity. Furthermore, while I disagree that the current resurgence is only a statistical blip, I concur with Mr Jackson's assessment that the American standard of living is in decline.

May I suggest that the resurgence is real, but not dependent on the advantages which Tony Jackson says resulted in corporate America's former prosperity? It is the very decline in the standard of living which accounts for the resurgence of corporate America.

Sadly, the robber barons are back, and who needs to worry ebout competitiveness, or advantages in markets, technologies and manufacturing techniques any more? International corporations and industry giants merge into monopolies, bribe politicians, evade taxes, pollute the environment, bust unions, exploit third world markets, raid pension funds, lay off workers and bully shareholders; and all with apparent impunity. In the light of all this, the Internet and technology can not be the source of corporate America's resurgence. Similarly, privatisation of government services follows the same road to ruin that the robber barons aim to lead corporate America down.

The excesses of corporate America will not stop until main street America wakes up, and that is happening (admittedly, not as fast as I would like), as evidenced by the come-back of trade unions and a well-grounded, but misinformed, distrust of government.

Guy M. Santo,
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Productivity the outcome of intellectual freedom

From Ms Teresa Wyszomierski.

Sir, In his commentary entitled "Lessons from Asia" (November 21) Dominique Moisi rightly highlights the cultural and spiritual poverty of Hong Kong and its regional neighbours and rhetorically asks: "Can man live by work alone?" The trend of economic data on south-east Asia's so-called tigers indicates that the answer may indeed be an emphatic no.

Research done by a number of economists, most notably Professor Paul Krugman of Stanford University, indicates that the impressive economic growth rate of Asia's "tigers", like that of the Soviet Union during the early part of the cold war, is the simple and inevitable result of inputting massive resources, usually through forced saving, into the economic system. Such gains ultimately prove to be unsustainable, due to a lack of commensurate increases in productive efficiency. South-east Asian economic data show productivity improvements have historically lagged far behind gross output, with recent GDP growth figures on the decline in places such as Singapore and Hong Kong.

The failed Soviet experiment teaches us part of the reason for this phenomenon. Increases in productivity are the product of invention, which is the natural progeny of intellectual freedom and curiosity. Dr Mahathir Mohamad, prime minister of Malaysia, publicly acknowledged this proposition when, during a trip to France in 1994, he bemoaned the lack of intellectual curiosity on the part of Malaysians as the main impediment to the transfer of productivity-enhancing technology to his country.

As European history shows, intellectual sophistication is inextricably related to cultural and spiritual development. South-east Asian regimes greatly diminish the creativity of human capital, therefore, when they pursue socially repressive policies which stifle intellectual freedom. The oft-heard argument that a significant curtailment of civil liberties is the necessary and worthwhile price to pay for economic progress may therefore amount to cruel sophistry indeed if that progress ultimately proves to be ephemeral.

Teresa Wyszomierski,
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Action on ferry safety

From Mr Graham Allen MP.

Sir, The UK government may have pressed for tougher safety standards at the International Maritime Organisation last week ("Survival standard for ferries rejected", November 23) but it missed an opportunity to demonstrate its commitment in practice.

Its response to the Commons transport committee's report on cross-channel safety was disappointingly weak – it would not agree to publicising safety standards in passenger information, did not come up with a timetable for new measures and used the absence of crew competency in the proposed star system as an excuse not to implement it at all.

As well as talking tough in the IMO – a forum where roll-on roll-off ferries are not a concern to most members – we need tough action on ferry safety as part of a well thought out long-term strategy at UK and European level to ensure all European ferries docking at UK ports meet new regulations.

Graham Allen,
House of Commons,
London SW1A 0AA, UK

War images speed peace

From Ms Marion Pope.

Sir, In "War sense and sensibilities" (November 18/19), Melanie McDonagh says: "What we need in war is not so much a succession of real and horrific images as an understanding of why we got to this point." I disagree.

When I moved to Spain in 1982, I was shocked to see the effects of the bombing campaign by Eta, the Basque separatists, against civilians. That sense of shock never diminished during the 11 years I lived there. There was no sanitising of news bulletins there and I realised that I had been shielded from the true horror of the IRA bombing campaigns back in the UK.

I am sure that, had the media showo the mutilation caused, there would have been much greater pressure earlier on for a peace settlement. I also think the Americans would have been less likely to fund the IRA campaign.

Marion Pope,
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Germany is fighting for a share of Europe's online market, says **Judy Dempsey**

Struggle to net customers

Germany's large media and publishing groups are jostling for a share of Europe's online and nascent multimedia markets. Hardly a day goes by without Axel Springer, Bertelsmann or Burda, the three main participants, unveiling plans for online services. They promise facilities for the home ranging from electronic banking and travel reservations to news, education programmes, books and entertainment on screen.

They are desperate to challenge Microsoft of the US and the services offered in conjunction with its Windows 95 programme, which allows computer users easy access to the Internet. They also want to beat back Compuserve, the US online service which already has more than 100,000 subscribers in Germany.

Bertelsmann, one of the world's biggest entertainment and media groups, unveils its joint online service with America Online (AOL), tha fast-growing US online network with 3.5m subscribers, in Hamburg today. The rival, Luxembourg-based Europe Online, founded by the Burda publishing group last year, is to be launched on December 15.

Bertelsmann believes it can quickly gain market share in Europe. "We are aiming for a 20 to 25 per cent market share in Germany," says Mr Thomas Middelhoff, the Bertelsmann board member responsible for co-ordinating multimedia activities. Mr Mark Wössner, chairman, recently said he expected to have 200,000 online subscribers in Europe by the end of 1996, rising to perhaps 1m – creating an annual turnover of DM500m ($353m) – by the end of the 1990s.

Bertelsmann already has an infrastructure in Germany suitable for online services. Apart from dominating the book club market, which will provide it with a mailing list of potential subscribers, it boasts a large stable of newspapers, magazines and book publishing houses to provide material for the new service.

Bertelsmann baa also brought Axel Springer on board as a shareholder and content-provider for the AOL venture. Springer, which has a rich catalogue of newspapers and magazines at its disposal, had intended to take a 21 per cent stake in Europe Online, but it pulled out in October. DPA, the German state-backed national news agency, will also supply material to AOL/Bertelsmann.

The plentiful German-language content is an advantage for AOL/Bertelsmann in the German market, although Germans have been slow to take to online and multimedia services – let alone fit their personal computers with modems to tap into such services via telephone lines.

> German groups are desperate to challenge Microsoft of the US and the services offered in conjunction with its Windows 95 programme

Attitudes may be changing, especially among the business community and the young. Deutsche Telekom, the state-owned telecommunications network that will take a stake in the AOL/Bertelsmann venture, reckons that turnover for business applications in the European Union'e online and mnltimadia markat will increase from DM895m this year to more than DM13bn by the end of the decade – with Germany accounting for nearly a quarter of the market.

Neither market share nor profits will be easily won, however. Europe Online has been troubled by technical problems and uncertainty over its founding shareholders, including Pearson, owner of the Financial Times and other media interests, and Matra Hachette, the French publisher. Europe Online has confirmed that Matra Hachette will no longer be a shareholder, but might be a content provider. Pearson wants to reduce its current stake of 13 per cent, but will also – initially at least – be one of the content providers.

"I think our teething problems are over," says one Europe Online executive. The network will be launched in English, German and French. It aims to break even in five years and attract more than 3m subscribers, an ambitious target given the competition.

"We have no choice. We have to get the subscribers. Our monthly running costs are $1m," the executive adds.

Germany's online rivals will have to decide in which market segment to concentrate efforts. The demand for business-related information services is established and growing, bnt competition from companies such as Compuserve is intense. T-Online, Deutsche Telekom's online service, has almost 1m subscribers.

As for the emerging multimedia sector, providing such facilities as "video-on-demand" and music, new entrants to the market are not sure how fast the market will grow. "The German market is more business oriented. There is an appetite for information," says Ms Mikki Nasch, Europe Online's launch manager. "In Britain, tbe market is more flexible, more diverse. We have to tailor our services to suit these cultural trends."

One advantage for AOL/Bertelsmann is the experience of accounting systems, subscription services and marketing gained by AOL in tha three years since it was founded in the US. "Although AOL will have to adapt to the European market, we will be able to rely on the lessons learnt by AOL and the two cultures can be integrated," says Mr Middelhoff.

But Bertelsmann is as cautious as Europe Online ebout targets. "We won't get a quick return on our money. We know that. But we have to start to carve out a place in the market before it is too late," a Bertelsmann board member says.

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FINANCIAL TIMES
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Tuesday November 28 1995

The Budget's real backdrop

Tha UK economy has loomed depressingly small in this year'a Budget debates. By all accounts, Mr Kenneth Clarke's performance later today is to be judged by whether he has struck a balance between the competing demands of voters and the financial markets. Whether the Budget has also met the needs of the economy seems in danger of becoming an after-thought.

It is not difficult to see why the economy should have been put on the sidelines. Politics took a back seat to economics last year, because the election was still reassuringly distant, and the economy's recent performance had given Mr Clarke plenty to crow about. Today, the roles are reversed, with the election campaign gaining pace, and the recovery taking a disconcertingly sharp pause for breath. A shift of focus away from economic concerns is thus eminently predictable – and undesirable.

Last November the chancellor could boast of atronger than expected growth, a rapidly disappearing current account deficit, inflation (excluding mortgage interest payments) in the bottom half of the government's 1-4 per cent target range, and an undershooting Pubbic Sector Borrowing Requiremeot. Every one of these variables has since turned ont worse tban expected 12 months ago, domestic growth and the trade account most of all.

Worldwide slowdown

The UK's situation is hardly unique. Nearly ali of the main industrial countries have experienced a slowdown in domestic demand and an unplanned build-up of unsold goods since the start of the year. In the UK the downturn has been a little more dramatic, if only because it had further to fall. Stocks hava grown twice as fast as output over the past year. This suggests that output may slow even more sharply over the next couple of quarters, as producers rid themselves of excess inventories.

The turnround in net exports might also be partly blamed on the worldwide slowdown. Unfortunately, though, a large part must also be attributed to traditional domestic weaknesses. The volume of manufacturing exports, which grew 9.3 per cent in 1994, was 0.5 per cent down on the end of 1994, in the three months to August 1995, even though world trade has continned to grow. Evidently, exporters have reacted to sterling's depreciation by raising profit margins rather than seeking new markets.

Higher growth of imports is also difficult to blame on external factors, and all the more depressing, given the slowdown in domestic demand growth which has occurred at the same time. Rising imports and falling exports meant that trade subtracted around three quarters of a per cent of GDP from growth in the second and third quarters.

Deterioration

This economic background provides two, non-political, standards by which to judge Mr Clarke'a efforts this afternoon. Tha first is whether, after taking account of the unexpected deterioration in tax revennes and net borrowing, he has kept the public finances on the course towards budget balance outlined in previous budgets.

A second, related, question, is whether Mr Clarke has, on balance, enhanced or worsened the government's capacity to react to the slowdown. This should be in a manner consistent with his thought of last year that growth sbould not "pass from illusory boom to painful bust". History, and the nature of tha recent slowdown suggest that cutting interest rates over the next few months would be a more appropriate way of insuring against recession than consumer-friendly tax cuts. Tax cuts which came into effect in April would do little to help the economy over its immediate stock build-np and might stoke up demand in services and consumer spending, the sectors of the economy that have been least affected by the slowdown.

Mr John Major, today celebrating his fifth anniversary as prime minister claims that he wants history to remember him for eradicating the UK's inflationary psychology. If so, he must have urged his Chancellor to keep his eyes firmly on the goal of low interest rates and low inflation, away from headline-grabbing giveaways.

Privatisation in Europe

The privatisation of Eni, the Italian state energy giant in which newly issued shares start trading today, provides a clear indication of the impetus behind privatisation in continantal Europe. Whether the unprecedented state sell-off will lead to enhanced efficiency across the continent is a more difficult question. The driving force for change is budgetary pressure, rather than any direct concern to improve the supply side of the economy. This suggests that the potential of the privatisation programme may be more limited than sometimes assumed.

Certainly privatisation in Germany, France and Italy does not entail acceptance of a more open market in corporate control. Whether through the *noyau dur* system of core shareholdings as in France, the retention of slimmed-down core government holdings as in Italy, or other indirect forms of influence, the state will retain a more important say over privatised enterprises in these countries than in the English-speaking economies. Dividend policy will often be struck within a corporatist framework. Foreign takeovers of former nationalised industries will be few.

That said, there have been perceptible improvements in efficiency at companies that are either privatised or waiting to be privatised. Yet many of the more impressive examples, such as the French car manufacturer Renault, are operating in competitive product markets where productivity improvements were probably inevitabie anyway. With government budget deficits at the limit of what bond markets will tolerate, enhanced performance bas become a condition of survival even within the public sector.

Scope for efficiency gains

The real test is in utilities, where the British experience suggests that the scope for efficiency gains is considerable. Here there are clear dividing lines between countries that are prepared to grasp the productivity potential and those where labour market rigidities militate against even modest change. This is particularly true of telecoms, where several countries still grant employees the status of civil servants.

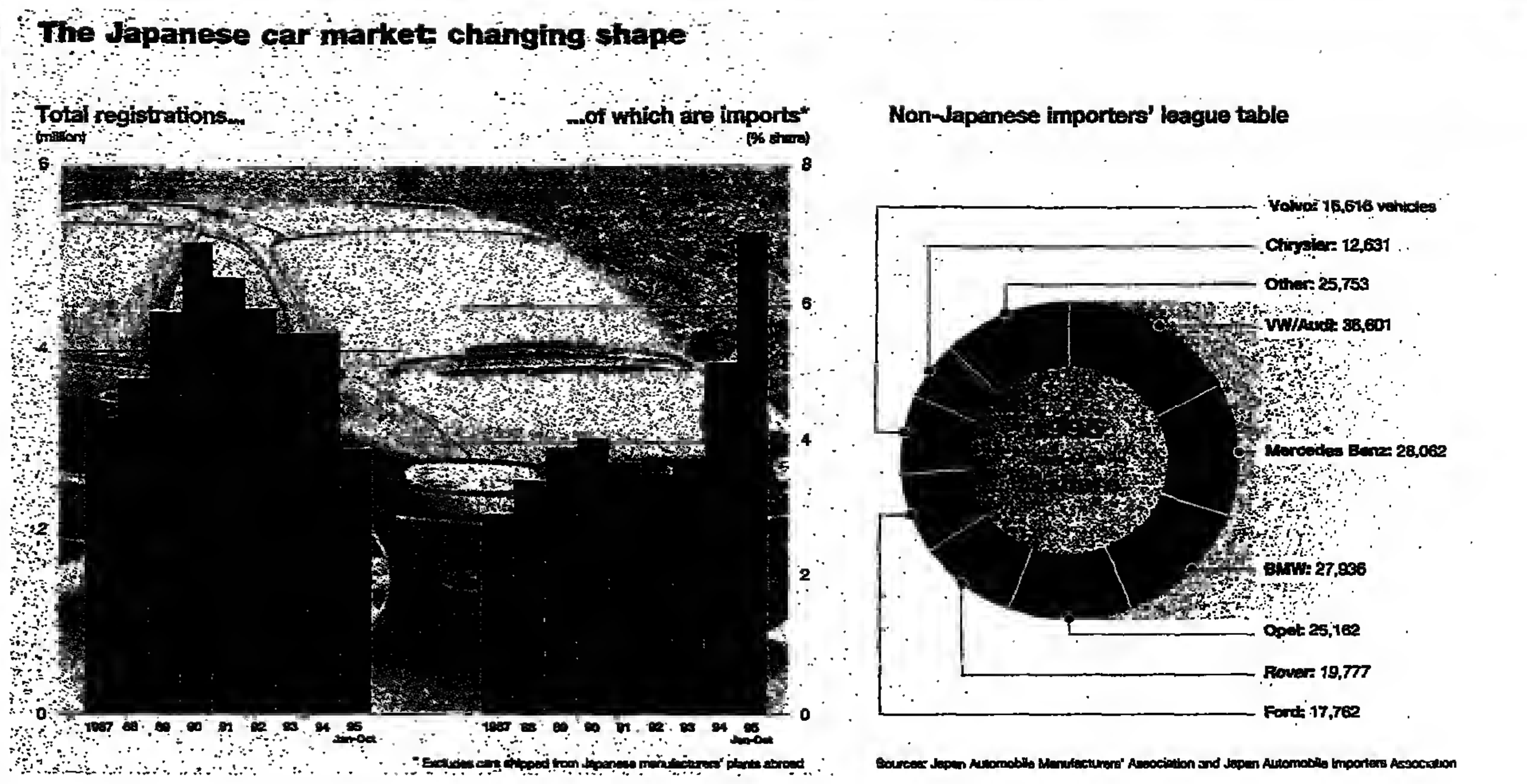
France Télécom is an obvious case in point. The unions have fought vigorously against privatisation, successfully beating off challenges to their members' protected status. At Deutsche Telekom, in contrast, agreement has been reached with the postal union to cut 60,000 jobs by the year 2000. That will ensure greatly enhanced revenues for the state on privatisation next year.

Formidable constraints

In Italy, meantime, the legal constraints on job cuts in banking and finance, where the early privatisations hava been concentrated, remain formidable. Even in tradeable sectors like steel, the political sensitivities over job cuts are much greater than in northern Europe. In utilities, the public-sector culture of job security is still pervasive. So, too, with much of the rest of southern Europe.

The best hope of a better supply-side performance in Europe lies in the single market programme. As with privatisation in the UK, the initial change of ownership is likely to be less important than the subsequent measures to liberalise the market. In the case of telecoms, the crunch comes in 1998. This further underlines the risk that investors take in buying privatisation stocks. Some, like Deutsche Telekom, are almost certainly capable of surviving the shock. Others may wilt under the competitive hlast. Political and regulatory risk in individual countries is far from negligible.

In the sale of shares in Eni, the Italian government has learned from past mistakes. It has erred on the side of generosity to the investor, which must make sense given the need to sell off more of the public sector in future. For their part, investors will derive larger benefits if the spate of privatisations leads to more liquid equity markets in Europe. But the word equity needs careful definition. In continental Europe it implies a right to tha residual income and assets of a company, subject to a far greater and more arbitrary degree of governmental and stakeholder influence than in Britain or the US. International investors should never forget that.



Carmakers find their keys

Adapting to local conditions has helped foreign manufacturers take advantage of the more open Japanese market, says **Haig Simonian**

A new spirit of optimism was evident among US and European carmakers attending the Tokyo motor show earlier this month.

For years, they have complained about the barriers to entering the Japanese car market, ranging from high tariffs to superflnous safety checks. Bnt such obstacles have been gradually dismantled in a series of trade negotiations, the most recent the bilateral deal between Washington and Tokyo signed in August.

As a resnlt, the Big Three US manufacturers are forecasting a six-fold increase in sales to 100,000 cars each by 2000. European carmakers also believe they can now take a substantial share of the world's second largest market.

"The Japanese market is in transition," says Mr Richard Gaul, head of corporate communications at BMW, the German executive car group. "We think imports could reach between 20 per cent and 30 per cent of the market. That would be 'normal' for an industrialised country with a strong car industry."

Such ambitions seem plausible. Imports into Japan are booming and registrations of imported cars were 27 per cent higher in the first nine months of this year than in the same period last year. By contrast, registrations of domestically prodnced cars have increased only marginally.

However, foreign manufacturers still have a long way to go before imports reach what Mr Gaul regards as "normal" levels. Sales of foreign-prodnced cars, excluding models made by Japanese manufacturers overseas, still account for only about 7 per cent of the market.

Importers have experienced similar surges in the past, only to see sales fall back soon after. Sales of foreign cars captured more than 4 per cent of the market when the "bubble economy" reached its peak in 1990 – only to see sales sink back to their 1988 level in 1992.

But Mr Peter Woods, the head of Rover, the UK carmaker now owned by BMW, in Japan, is one of many foreign carmakers who is optimistic that this surge will continne. "The difference this time is that our sales are built on solid demand rather than windfall speculative earnings," he says.

One factor has been the strong yen, which has let foreign manufacturers reduce prices and offer additional features at no extra cost. Even prestige marques, such as Mercedes-Benz and Volkswagen's Andi subsidiary, have been able to cut the differential between their prices in Japan and those in their domestic market.

"The gap between our prices in Germany and Japan is now down to between 3 per cent and 7 per cent on the new E Class range," says Mr Dieter Zetsche, the Mercedes-Benz board member for passenger cars. "Our cars are still dearer than equivalent Japanese models, but the mark-up compared with Germany has never been smaller."

Accepting lower margins should help Mercedes-Benz raise its sales by more than 5 per cent to about 35,000 units this year in spite of the disruption caused by the change of its most popular model, he says.

While prestige marques, such as Mercedes-Benz and BMW, have always attracted wealthy Japanese, the biggest change in the past two years is that demand has spread downmarket.

Rover, which has 102 dealers, expects to sell about 25,000 cars this year, almost one third more than in 1994. Almost half its registrations will be of the venerable Mini, which has a cult status in Japan, and the slightly bigger Rover 100. But Mr Woods says mid-range models, such as the Rover 600, will also do well. "The Japanese are becoming more internationally minded thanks to travel and communications. More and more are willing to try foreign prodncts," he says.

VW has enjoyed a similar upturn, although it is still feeling the after-shocks of its decisioo in tha early 1990s to take over the distribntion of its cars in Japan. The failure to agree a gradual transition with its local importer led to an acrimonious dispnte, from which sales are only now recovering. VW has 179 outlets and raised its registrations by almost 29 per cent to more than 33,500 cars in the nine months to the end of September.

But some big European manufacturers, such as Peugeot-Citroën and Renault of France, are still finding Japan a hard market. Fiat, the Italian carmaker which is enjoying a strong sales recovery in Europe, has not even exhibited at the Tokyo Motor Show for the past two years because of its dismal performance in Japan.

Mr Paul Layzell, who heads BMW in Japan, underlines the importance of commitmant in building sales in Japan. "We set up our own spare parts and vehicle preparation centres years ago to cater for our dealer network . . . to symbolise our long-term presence in Japan we built our own exclusive headquarters in 1991." Such planning has paid off. BMW expects its sales to go up by more than 21 per cent to 35,000 units this year.

According to the leading importers, a foreign car company must be ready to spend heavily over a long period to succeed in Japan. This means investing lavishly on advertising, sponsorship and public relatioos to familiarise the public with new brand names. "Yon cannot come here and just blitz the market and expect instant results. Japan requires time and commitment," says one executive.

It also means investing in fixed assets: an independent dealer network is essential for success. BMW was the first to break with tradition by creating its own sales organisation instead of using a local agent. Almost all the other top importers, apart from Opel, the German subsidiary of GM, bave followed.

By contrast, most of the laggards bave stuck with local partners. Working with a Japanese company is valuable to gain experience. But the leading exporters say independence is crucial for sales to take off. "An independent dealer network brings you closer to the market and lets you understand more quickly and clearly what customers are saying," says Mr Woods.

Setting up a network is slow and costly. One leading importer says: "First you have to set up a number of wholly-owned flagship city-centre outlets, where land prices are too high for a private dealer to invest, to exhibit your goods and sbow potential dealers you're serions. Then yon may find an existing dealer representing a domestic brand who may be tempted to take your franchise for his new showroom. Gradually the ball starts rolling."

Japanese dealers are notoriously conservative. Most are pressurised by the domestic car industry not to switch allegiance. Few would risk taking on a foreign franchise unless they thought the manufacturer had the commitment and resources to last the course.

Finally, hiring top-quality staff is crucial in a highly service-orientated car market. The expectations of Japanese motorists would make most Europeans or Americans envious. New cars are delivered to the door; a home pick-up service is expected even for servicing.

But recruiting top-flight staff becomes easier only once a brand is established. "No top Japanese manager would work for a foreign car manufacturer unless he thought it had a future," says Mr Richard Murray, the president of Inchcape Peugeot Japan. "Recruitment only starts getting easier once you're making progress."

Most of the top importers are now reaping the rewards of their investments in Japan. And some of the US manufacturers now voicing optimism about the future appear to be following their example. Ford, for instance bas worked hard to recruit dealers for its chain. The company has opened 53 new outlets in the past 18 months. But it has not shied away from political strong-arm tactics through Washington to persuade Japanese manufacturers to allow their dealers to represent imported brands. "Ford has made a serious effort and bas done well, but opening this market is still extremely difficult and meeting resistance from various bureaucracies," says Mr Alex Trotman, Ford's chairman.

Chrysler, the smallest of the Big Three US carmakers, is following the Europeans most closely. In June, it paid $100m to buy control of its jointly owned distribution company. It is now recruiting new outlets to raise its network of 118 dealers to 200 by the end of next year. It plans to have 500 by the end of the century.

The company has also invested heavily in adapting its cars to the local market, spending $180m to convert four of its best-selling products for right-hand drive.

But GM, by contrast, has decided not to set up an independent sales network and plans to continue its long-standing relationship with a local distribntor. At the Tokyo Motor Show it exhibited the first of the US-built Cavalier mid-range saloons whicb are to be sold by Toyota bearing the Japanese company's badge under a deal negotiated last year. A senior GM official in Tokyo admits the arrangement was only a half-way bouse. "But at least it will bring us that little bit closer to the customer," be says.

But only by developing their own sales oetworks, choosing their models carefully and adapting tbem sympathetically to local conditions will the Big Three be able to live up to their grandiose expectations for Japan. Once the market is open, no amount of political arm-twisting through Washington will be enough to persuade Japanese motorists to buy cars they do not want.

· OBSERVER ·

Moralising minorities

■ As if further to infuriate his political opponents, Poland's president-elect, Aleksander Kwasniewski, has chosen Roman Catholic Spain for a brief rest after the trials and tribulations of his recent lengthy election campaign.

It's an ironic choice. After all, Kwasniewski is taking a breather from Poland's wrathful Catholics. They are finding it difficult to accept that a former communist – albeit a youthful and not very important one – will be top dog for the next five years.

At such times of personal crisis, Lech Walesa – still for the moment president – takes himself off to Poland's most famous Catholic shrine at Czestochowa. There at the weekend Father Szczepan Kosnik, in charge of the place, called Walesa Poland's most noble son. Buoyed up by this, Walesa told a pilgrimage of coalminers that the election had been won by those "who did not have the moral right to hold power in Poland".

Kosnik made it clear that Kwasniewski would not be accorded the same sort of welcome. "Czestochowa will not accept people whose symbol is the hammer and sickle, who support the civilisation of death, abortion and atheism. The gates of the monastery will remain closed to them even though they might reach for the highest posts in the land," he thundered.

Maybe Kwasniewski will return from his holiday having picked up a few Spanish tips on how to deal with politicking priests.

Stalled in Manila

■ Manila's traffic authority has admitted that its harebrained scheme to limit car usage in the congested Philippines' capital has collapsed under the weight of general derision. It aimed to restrict all vehicles from peak hour travel on rotating days, based on the last figure of the numberplate. Nobody took any notice.

So a new scheme is being introduced, under which all private cars with numberplates ending in odd numbers will be banned on Mondays, Wednesdays and Fridays, while those with even number endings will be barred on Tuesdays, Thursdays and Saturdays.

Except that cars carrying three or more passengers will be altogether exempt from the ban. This has enormously cheered the city's thousands of street children. As hired extras to make up passenger numbers they will be in business every day of the week.

Big game hunter

■ Robert Fleming, the UK merchant bank, has bagged another trophy name for its South African business. Having recruited Sir Robin Renwick, former British ambassador in Pretoria, Fleming's South African offshoot – Fleming Martin – has now hired Sydney Maree, the black South African athlete who broke the world 1,500m record back in 1983.

Maree – who took out US citizenship in order to participate in the Olympics – was recruited in New York to help broaden SA equity sales to US institutional investors. But it soon became clear that his skills were better employed back in South Africa, where he stills enjoys hero status. Together with Renwick and Adam Fleming, he will spearhead Fleming Martin's efforts to win the race to grab the most lucrative bits of South Africa's privatisation business.

Hope Maree shows more staying power off the track than he did in the Olympics. He only held his world record for seven days when Britain's Steve Ovett snatched it back.

Building bricks

■ Tansu Çiller, Turkey's prime minister, is Sarajevo-bound today, helping move the Bosnian peace process forward. Ottoman Turks once ruled the Balkans and converted Bosnia's southern Slavs to Islam; Turkey has long felt a special affection for the region.

Çiller is also taking along some of Turkey's renowned civil engineering contractors with her, eager to get to work on repairing the shattered city. They bring some impressive credentials. One Turkish consortium rebuilt the so-called White House – Moscow's parliament – on time and on budget after the Russian army nearly demolished it during the violent uprising against Boris Yeltsin.

Another company has won the contract to re-build Grozny, the flattened capital of Chechnya, but has temporarily withdrawn, complaining less of the difficult working conditions than a lack of payment.

Legless in Lumpur

■ Malaysia's police have been busy enforcing the country's new drink-driving laws. The other night the boys in blue picked up their first foreigner, crawling along at 3am in the fast lane of one of Kuala Lumpur's main highways.

First reports said simply that our man was from an island. Then from Iceland. Then, finally, from Ireland. Police say he had forgotten where he was. Nor did he seem to have much knowledge where he was going to. He certainly did not know where he had been.

If this wild colonial boy persists with such spirited behaviour, he might very well find himself going back – rather fast – to wherever it was he came from.

The Financial Times

100 years ago

German enterprise in China
Shanghai: It is understood that the object of the German commercial mission, beaded by Herr von Brandt, formerly German minister at Pekin, in trying to acquire the arsenal dockyard at Foochow, and the arsenal irooworks at Han-Yang, is to develop the iron industry in those regions to such an extent that the respective establishments may serve as a nucleus of industrial schemes conceived on a much vaster scale, and for which German capital has been secured in advance.

50 years ago

United Havana
From the Lex column: I am quite unable to resist the temptation to recall my conclusion over the United Havana scheme given in this column in September. "I cannot help feeling," I wrote, "that a great deal of time, money, paper and ability have been wasted to achieve practically nothing." The recent announcement that the net surplus on working account in the year to 30th June last had fallen from £392,052 to £69,171 is surely full justification for my remarks. It looks as though a revolution will be necessary to breathe reality into even the revised capital.

FINANCIAL TIMES
Tuesday November 28 1995

Juppé announces measures to ease burdens on smaller businesses

French hypermarkets face curbs

By Andrew Jack in Paris

Tough measures to control French oul-of-town hypermarket developments were announced yesterday by the government as part of a package to help small and medium-sized companies.

Mr Alain Juppé, the prime minister, unveiled a range of regulatory changes, tax cuts and incentives to help the companies, which he said were largely responsible for creating new jobs, and described as the "guardians of the essential values of harmony of our country".

Mr Jean-Pierre Raffarin, minister for small and medium-sized business, said: "We have to free the entrepreneurial energy that has been restricted for a long time by big organisations both public and private."

Under the plan, the threshold at which new retail developments require approval by regional planning commissions will be dropped from 1,000 sq m to 300 sq m, and any sites exceeding 6,000 sq m will be subject to a public inquiry.

Hypermarkets are stores larger than 2,500 sq m.

The composition of the commissions will also be changed to include small business representatives alongside local elected officials.

The fines and legal redress available to the state competition commission will also be substantially enhanced in an effort to cut down on predatory pricing policies, such as those practised by "deep discount" retailers.

The measures come in response to growing pleas from small shopkeepers and enterprises across France over the last few years that they are been squeezed out of business by the low prices and high demands placed on them by large retailers.

Mr Juppé's plan – outlined at the annual conference of the CGPME, the national federation of small and medium-sized businesses – included a reduction of 1 per cent in electricity bills and a reduction in a series of government-imposed charges including a 50 per cent cut in the tax paid when a family-owned company is passed between generations of owners.

Under some circumstances, companies with turnover below FFr50m ($10m) will also be able to benefit from a reduction from 33 per cent to 19 per cent in the rate of corporate tax on profits reinvested in the enterprise.

The annual FFr700bn in government contracts available for tender will be made more accessible to small and medium-sized business through a series of measures.

There will be a range of initiatives to reduce the level of red tape and give companies the right to refuse official requests for information which duplicates information already provided.

Paris backs small businesses, Page 2

Call by leading Russian bankers to scrap sell-offs

By Chrystia Freeland in Moscow

A serious row erupted yesterday among four of Russia's biggest banks, raising questions about the government's controversial privatisation programme and the treatment of foreign investors.

The presidents of three of Russia's top banks – Inkombank, Rossiskyi Kredit and Alfa-Bank – yesterday issued a public statement urging the government to halt the "ill-prepared and questionably organised" privatisation scheme.

They also suggested that Menatep, one of Russia's top ten banks, had manipulated the system.

The banks' statement alleges that Menatep has pledged to pay the government $1.1bn for shares in more than 60 enterprises, including Yukos, one of Russia's leading oil producers.

The rival bankers contend that Menatep has less than a tenth of the promised sum at its disposal. They say that instead of using its own money Menatep plans to "use the resources of the Ministry of Finance" to fund its investments and has already reneged on paying the price it offered in previous privatisation auctions.

Menatep officials yesterday denied the allegations and launched a fierce counter-attack. Mr Konstantin Kagalovsky, vice-president of Menatep, said the three rival banks "know they cannot win the [privatisation] auctions and so they are complaining".

Mr Kagalovsky, who compared the statement to the political denunciations of the Stalinist era, accused Alfa-bank of being "swindlers" who were bitter because their plans to act on behalf of western investors had been thwarted.

Western investors are barred from bidding for many of the most attractive companies on offer in the current round of privatisation, but Mr Kagalovsky said Alfa-bank had hoped to represent western companies secretly in the auctions.

The verbal battle has offered a rare public glimpse of the fierce, and usually concealed, struggle for control of valuable state-owned assets which is dominating Russia's political and economic life.

The competition intensified this autumn, when the government launched a controversial privatisation scheme, which critics say amounts to a giveaway of some of Russia's most valuable assets to privileged insiders.

According to the scheme, investors bid for the right to manage the state stake in enterprises in exchange for giving the government a loan.

China tax policy changes could hit foreign investors

By Tony Walker in Beijing

China plans to introduce sweeping new tax policies for foreign-funded ventures, but the timing has yet to be decided, a senior Chinese official was quoted as saying yesterday.

Mr Sun Zhenyu, deputy minister of the Ministry of Foreign Trade and Economic Co-operation, said the new policies would be "launched in the future, though the time for instituting the new tax system is still under deliberation".

This is the most direct statement yet from a Chinese official that a phasing out of tax breaks for foreign-funded ventures is on the way. Bnt Beijing is being careful not to commit itself to a timetable because of concern about frightening away new investment.

Foreign business has been unsettled by reports that China plans to begin removing from April 1 duty-free privileges on imports of equipment for new projects. This is seen as the first step in a general overhaul of preferential tax policies for foreign investors.

Mr Sun said it would be "necessary for China to eliminate tax relief policies (on equipment imports) following the drastic cuts in tariffs next year". This was a reference to last week's announcement that China would lower its tariffs from 30 per cent to an average of 24 per cent to 25 per cent, against 15 per cent for all developing countries.

Foreign business says the proposed tariff cuts will not compensate for the removal of tax exemptions on equipment imports and some companies are reviewing investment plans as a consequence.

Mr Sun said present corporate tax rates for foreign-funded ventures would remain unchanged for the time being, but this was not an open-ended commitment.

Under present policy, foreign-funded joint ventures pay 15 per cent corporate tax in China's special economic zones, 24 per cent in some 400 areas "open" for investment, and 30 per cent elsewhere. Chinese state enterprises pay tax at 55 per cent.

China is reported to be considering moving to a 30 per cent national corporate tax regime, with local taxes on top of that, but various ministries involved in a review of the tax laws are still far from reaching consensus.

Mr Sun indicated new tax policies would discriminate in favour of priority areas for investment such as high-technology industries and agriculture. This indicates China will seek to use the tax reforms more effectively to distribute investment funds.

Kinnock in split over Emu

Continued from Page 1

one that has rather less rhetoric and rather more substance".

Officials close to Mr Kinnock said last night his remarks were designed to help Mr Tony Blair, leader of Britaio's Labour party, maintain unity on Europe by emphasising that employment and investment should be taken into account for monetary union.

The goal was to keep the left on board and to insulate Mr Blair against Tory charges that he is soft on Europe.

Mr Kinnock's speech was described yesterday by his aides as private.

But It is likely to fuel the row about how much leeway commissioners should have in expressing their personal views on central planks of EU policy.

Works councils proposal

Continued from Page 1

desirable to establish general legal standards in this area at European level, the next step will inevitably be to consider whether it is necessary to maintain a piecemeal approach."

Mr Flynn argues the extension of works consultation is needed to simplify the legal situation, make the existing law more coherent and ensure a pragmatic and balanced approach.

He admits he is "aware of the misgivings an initiative of this kind may cause among certain member states and social partners" over the principle of subsidiarity. But Mr Flynn believes such arguments should not take precedence over "the unquestionable need" to extend worker consultation.

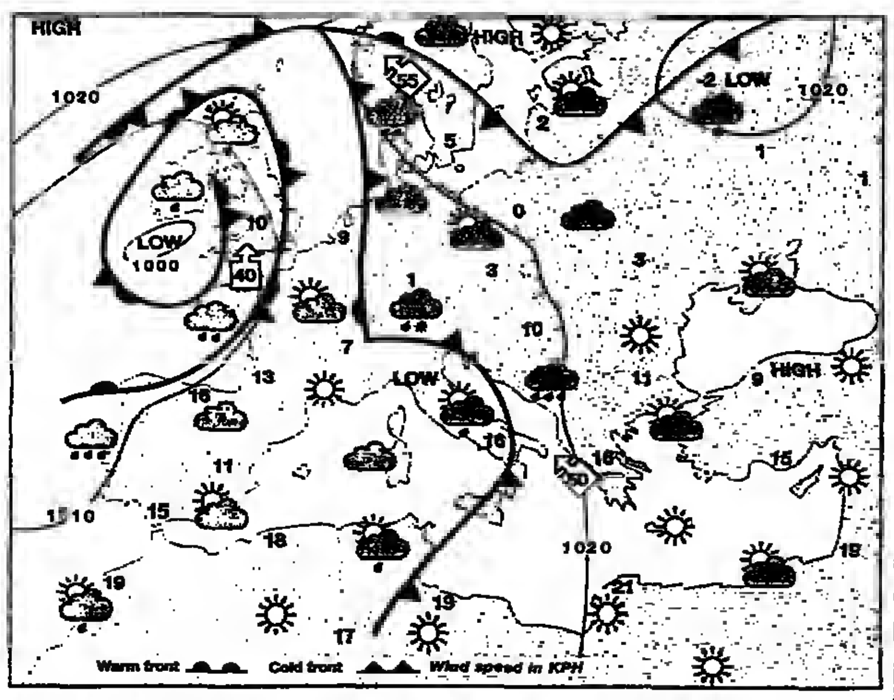
FT WEATHER GUIDE

Europe today

Low pressure south-west of Ireland will direct unstable air and showers across the UK and Brittany. Portugal will have outbreaks of rain. Spain will be cloudy but dry with plenty of sun along the east coast. A lingering front from the Benelux to Switzerland will cause some rain, but most of France and Germany will have sunny spells. A disturbance will cause snow on the higher elevations of the southern Alps and rain in Italy, Bosnia, Albania and western Greece. Sardinia and Sicily will have sunny spells. High pressure will cause settled conditions in the eastern Mediterranean with very low temperatures in central Turkey during the night and plenty of sun on the beaches.

Five-day forecast

Northern and central Europe will be settled and mostly dry during the next couple of days owing to high pressure over Scandinavia and the Baltics. Low pressure in the western Mediterranean will cause unsettled conditions with abundant rain in Portugal, the eastern Pyrenees and in southern Italy, Albania and Greece. Later, rain will spread into Spain and western Turkey. The British Isles will be mainly dry from Thursday.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum		Beijing	sun	8	Caracas	fair	31	Faro	rain	18	Madrid	cloudy	10	Rangoon	fair	30
	Celsius		Belfast	rain	8	Cardiff	rain	11	Frankfurt	cloudy	4	Majorca	sun	18	Reykjavik	fair	2
Abu Dhabi	sun	26	Belgrade	sun	10	Casablanca	fair	18	Geneva	cloudy	8	Malta	fair	19	Rio	fair	29
Accra	fair	31	Berlin	fair	2	Chicago	snow	-3	Gibraltar	fair	15	Manchester	fair	10	Rome	rain	16
Algiers	fair	18	Bermuda	fair	25	Cologne	drzzl	8	Glasgow	shower	8	Manila	cloudy	30	S. Frsco	fair	17
Amsterdam	cloudy	9	Bogota	cloudy	20	Dakar	fair	30	Hamburg	cloudy	4	Melbourne	thund	20	Seoul	sun	8
Athens	fair	18	Bombay	fair	33	Dallas	fair	14	Helsinki	clear	-6	Mexico City	fair	20	Singapore	thund	30
Atlanta	cloudy	16	Brussels	fair	9	Delhi	fair	24	Hong Kong	cloudy	26	Miami	fair	28	Stockholm	fair	1
B. Aires	fair	24	Budapest	fair	8	Dubai	sun	26	Honolulu	cloudy	29	Milan	rain	7	Strasbourg	drzzl	4
B.ham	shower	9	C.hagen	fair	6	Dublin	rain	10	Istanbul	sun	13	Montreal	rain	3	Sydney	fair	29
Bangkok	fair	31	Cairo	fair	20	Dubrovnik	rain	15	Jakarta	shower	29	Moscow	snow	-1	Tangier	shower	17
Barcelona	sun	13	Cape Town	shower	21	Edinburgh	shower	9	Jersey	shower	12	Munich	fair	2	Tel Aviv	fair	19
									Karachi	fair	30	Nairobi	fair	26	Tokyo	fair	13
									Kuwait	sun	20	Naples	rain	18	Toronto	shower	5
									L. Angeles	sun	24	Nassau	fair	29	Vancouver	rain	9
									Las Palmas	shower	22	New York	cloudy	17	Venice	rain	12
									Lima	cloudy	23	Nice	fair	15	Vienna	cloudy	5
									Lisbon	rain	14	Nicosia	sun	18	Warsaw	fair	-1
									London	shower	11	Oslo	rain	1	Washington	cloudy	17
									Luxbourg	drzzl	5	Paris	fair	10	Wellington	shower	17
									Lyon	fair	7	Perth	fair	22	Winnipeg	fair	-14
									Madeira	thund	19	Prague	fair	-1	Zurich	cloudy	4

THE LEX COLUMN

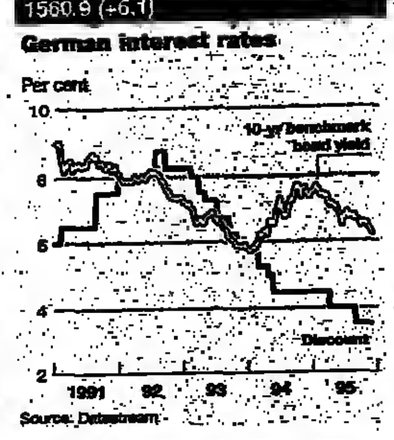
Short cut to growth

The case for a cut in German interest rates is becoming irresistible. Thursday's Bundesbank council meeting will take place against the background of a rapidly slowing economy. The government has already admitted that the third quarter will show no growth. Exports are suffering from the strength of the D-Mark and investment intentions are being scaled back. Rising unemployment has continued to depress consumer spending. Consensus forecasts for economic growth have been lowered to around 2 per cent for 1996 against 2.3 per cent this year. Yesterday, Deutsche Bank's economists downgraded their 1996 estimates to just 1.8 per cent.

The argument for a cut is strengthened by the inflation outlook. The November figures, out yesterday, showed the annual rate down to 1.5 per cent. This leaves plenty of room for an easing of the 3.5 per cent discount rate; the money markets are already discounting a half-point reduction. The international background is also favourable, with much of the developed world facing sluggish growth and low inflation. A British rate cut is expected after today's Budget and the US may cut next month.

The only catch is the Bundesbank's typically cautious argument that it needs more time to evaluate the impact of the last rate reduction in August. It is also true that it likes to catch traders on the hop and may therefore not cut if the market expects it to. But that is hardly good grounds for delaying an economically sensible decision.

FT-SE Eurotrack 200:
1560.9 (+6.1)



Source: Datastream

BTR/Minorco

BTR's disposal of its UK aggregates business, Tilcon, looks well-timed. Today's UK Budget will presage a bad year for public spending on roads. Yet this seems at odds with the £330m that Minorco is paying for Tilcon, which represents around 20 times 1994 net profits and an 83 per cent premium to net assets. Even once its mineral reserves are taken into account, it looks pricey compared with other recent deals, such as the sale of Charter's aggregates division to RMC. Minorco is wedded to the aim of increasing its industrial minerals division to offset cyclicality elsewhere, but it is proving a costly strategy.

The deal should at least allay investor concerns over BTR's debt levels; once it completes the £2bn buy-out of minority shareholders in BTR Nylex. BTR has emphasised that, after more than £1bn of disposals since 1993, its restructuring programme is almost over. But non-core businesses such as US aggregates, Dunlop Slazenger and its Taiwanese petrochemicals and plastics division represent another £1bn of annual revenues. A further £1.2bn is due to come in from warrant conversions by 1999, leaving a newly appointed chief executive, Mr Ian Strachan, with plenty of firepower for further acquisitions.

Of course, BTR's short-term performance could be dampened by the impact of falling polymer prices and a slowdown in Australian housing starts. But the Tilcon deal represents a further push to improve the quality of earnings, which should help underpin a recovery in the share price, after another year of underperformance.

Czech Republic

The Czech Republic's entry to the Organisation for Economic Co-operation and Development today is a symbolic triumph. The country does have plenty to celebrate – its stable currency and restrained inflation made it, earlier this month, the first post-communist country to achieve an "A" rating from Standard & Poor's. But equity investors are unlikely to be cracking open the champagne: Prague's PX-50 index has halved since it began last year.

The reason is that the country has a competitiveness problem. Czech unit labour costs, in dollars, rose 90 per cent between 1992 and 1994. The result is a fast-growing trade deficit. The textbook answer would be to devalue, but this looks unlikely. The government's priority is to keep inflation down to help its application to join the EU: this has led it to keep interest rates high, and the currency strong.

Without a devaluation, Czech companies will have to become more efficient to compete in export markets. Having inherited relatively high standards of living and low external debts from the communist era, the republic never had to go through the same shock therapy as Poland. Czech businesses have been slow to close uneconomic operations and shed surplus staff: unemployment is by far the lowest in the region. This is not sustainable. The recent raiding party by Stratton, the US investor which has snapped up big stakes in eight Czech companies, suggests that if nobody else is willing to restructure Czech businesses outsiders will.

Kvaerner/Amec

Amec's chances of fending off Kvaerner's cash offer of 100p per share are shrinking, more as a result of a botched defence strategy than because the Norwegian company has put a particularly compelling case. Amec's aborted bid for Alfred McAlpine has backfired. The bid plan may well, as Amec claims, have pre-dated Kvaerner's dawn raid last week, but the appearance of a panicky, knee-jerk reaction does nothing to bolster confidence in the management.

Amec still has some chance of convincing shareholders to turn down Kvaerner's offer in its defence document, if it can convince them that earnings are about to rebound. With an annual turnover of around £2bn, Amec still has a strong position within its industry, and is at least making better returns than some others on its civil engineering business.

Kvaerner's own case is not wholly convincing. Its stock has performed dismally for the last two years, partly due to a large loss on an oil project. Amec's civil engineering expertise does fit well with Kvaerner's international ambitions. But hopes of selling Amec's housing business for £160m may not be easy to achieve; there are several other such businesses for sale.

All this matters little to Amec shareholders, since the offer is in cash. Kvaerner's purchase of a further 2 per cent stake yesterday suggests that the chance to take the money and run may prove irresistible to many long-suffering shareholders.

Additional Lex comment on restructuring provisions, Page 24

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday November 28 1995

IN BRIEF

Lufthansa static at nine-month stage

Lufthansa, the German airline, reported stagnant pre-tax profits before extraordinary items at DM506m ($364m) for the first nine months. The results came in spite of the airline being hit hy the strength of the D-Mark against other currencies, resulting in a net revenue loss of DM230m. Page 20

French insurer forecasts reduced losses
Groupe des Assurances Nationales, the state-owned *French insurer*, said it would be ahle to contain *losses for 1995 to "several million francs"*, compared with losses last year of FFr5.3bn ($1.1bn). Page 20

Heavy trucks turn on to downward path
A sharp downturn in net orders for heavy trucks in August and September seemed a sure *sign that the* two-year-old boom in North American road hauliers had come to an ahrupt end. However, analysts say any cyclical decline is likely to be more moderate than in the past. Page 21

Japanese banks' loan problems persist
Japan's long-term credit banks and trust banks, among the largest financial institutions in the world, said that in spite of strong first-half operating profits they had made little *inroad* into their enormous burdens of non-performing loans. Page 22

Nintendo lifts payout despite sales slump
Nintendo, the Japanese video games company, lifted recurring profits and its dividend in the first half of the year in spite of a slump in sales. The company raised its dividend by Y15 to a full-year payment of Y100, making it the highest payout offered by a listed company in Japan.
Page 23

Kvaerner launches £375m bid for Amec
Kvaerner, the Norwegian ship building and engineering group, launched a hostile bid for Amec, the *UK construction group. The hid is expected to value* Amec at about £375m ($593m). Page 24

Saudi Arabia to hold oil production stable
Saudi Arabia has decided that the quest for higher oil prices should take *precedence over carving out* a greater share of the world's growing oil market. The kingdom, which is the world's largest oil exporter, is said to be content with its present production level of 8m barrels a day. Page 27

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Asko Prf	640	+	20
BMW	790	+	15.5
Daimler Benz	719.3	+	13.3
Hochtief	645	+	17
Wella	679	+	29
Falls			
GEHE	653	-	16
NEW YORK ($)			
Rises			
AT & T	66½	+	1¼
Caterpillar	61½	+	1⅜
Proctor & Gamble	88⅛	+	1⅜
Falls			
Boston Beer	30⅞	-	2
Cambridge Tech	48⅛	-	3½
First Alert	9	-	4⅝
LONDON (Pence)			
Rises			
BT	376½	+	16
ICI	753½	+	14½
Pearson	667	+	24
Falls			
Firecrest	158	-	17
McAlpine (A)	140	-	19
Spring Ram	17	-	7
TORONTO (C$)			
Rises			
Economic Inv	63½	+	1½
Newbridge Net	56⅛	+	1
Westar	28	+	1
Falls			
Leitch Tech	28½	-	1⅛
Potash	102½	-	1¼
Western Star Truck	26½	-	1⅛

PARIS (FFr)			
Rises			
Carrefour	2776	+	53
Imetal	589	+	18
Intertechnique	425	+	28
Falls			
Legrand	801	-	12
SLIC	686	-	13
UFB Locabail	409	-	10
TOKYO (Yen)			
Rises			
Dai-Ichi Kangyo	1890	+	80
Fuji Bk	2070	+	50
Mitsubishi Bk	2220	+	60
Tokyo Elec	2650	+	30
Towa Real Est	418	+	10
Falls			
Daiwa Bk	670	-	10
HONG KONG (HK$)			
Rises			
China Motor	61.5	+	0.5
Guoco	35.5	+	0.7
Sun Hung Kai	60.5	+	0.5
Wah Kwong	11.3	+	0.6
Wing Lung Bk	41.8	+	0.6
Falls			
Television Brd	27.9	-	0.7
BANGKOK (Baht)			
Rises			
Intl Cosmetics	236	+	8
Krungthep	140	+	10
Falls			
Siam Cement	1252	-	18
Srithai Super	182	-	12
TPI Polene	137	-	7
Utd Cement	302	-	8

New York & Toronto prices at 12.30.

Minorco buys UK aggregates unit

By Tim Burt in London

Minorco, the international natural resources group, yesterday bought BTR's British aggregates business for £330m ($521m). The deal accelerated the UK industrial conglomerate'a withdrawal from non-manufacturing activities.

The company, which has sold businesses with sales of £2.5bn in the past four years, claimed the sale of Tilcon Holdings signalled its determination to concentrate on fewer product areas.

Mr Alan Jackson, chief executive, said: "We're pretty much out of distribution and this is another step in focusing on industrial manufacturing."

Although he declined to name other businesses likely to be sold, he predicted BTR would make "significant proceeds" from further disposals. Such funds would be used for acquisitions and organic investment in six broad areas: ceiling systems, batteries, papermaking equipment, packaging and plastics, automotive components and engineering products.

The disposal candidates are thought to include Tilcon's US arm, which is not being sold to Minorco, and the sports goods and Taiwanese chemicals businesses. Minorco said it was not interested in buying Tilcon US but hinted at more acquisitions in the UK and continental Europe.

Mr Peter Burnell, the director responsible for the industrial minerals division and European mining, said the group would consider issuing paper to fund such deals – thereby diluting the 68 per cent stake held hy tha Anglo-American De Beers group of South Africa.

"Outside shareholders often complain there's not enough liquidity to Minorco, so the market would welcome having more equity available," he added.

Minorco plans to integrate Tilcon with its European industrial minerals activities, which contributed $24m to first-half operating profits of $358m.

By adding Tilcon's 200 UK sites to its aggregates business, Minorco said the industrial minerals division would be the group's second largest profits contributor behind Terra, its US agribusiness arm.

Last year, Tilcon made operating profits of £24m on sales of £232m.

Some City of London analysts questioned the strategy of buying Tilcon at a time of volatila demand from the construction and roadbuilding industry. But Minorco said earnings from the industrial minerals side sbould offset the cyclical nature of its gold and base metals operations. Mr John Draper, managing director of the group's industrial minerals division, predicted the Tilcon acquisition would be earnings enhancing from the outset.

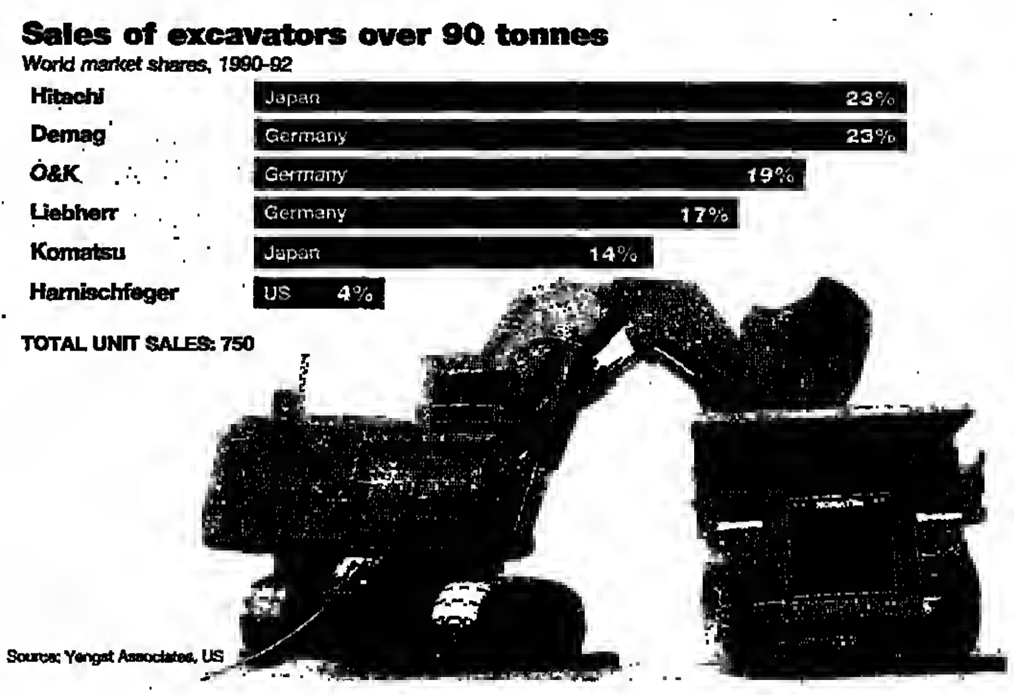
The deal – which follows the $44m acquisition last week of KNL, the east German aggregates group – is nevertheless expected to push Minorco's net borrowings up from $600m at the halfway stage to about $1.2bn at the year-end.

The impact on BTR's halance sheet, meanwhile, will not be clear until December 12, by which time shareholders in BTR Nylex – its 63 per cent owned Australian subsidiary – must decide whether to take cash or paper as part of the group's £2bn minority buy-out.

BTR shares rose 3p to 331¼p.

Lex, Page 18; CRA, RTZ outline unusual link-up, Page 23

A scratch beneath sector's surface reveals growing alliances



Source: Yengst Associates, US

Powerful forces bulldoze through heavy machinery

From Siberia to Latin America, the mining industry thinks big when *it comes to using machinery. The* bucket on the world's biggest mining shovel, built by Germany's Mannesmann Demag, is big enough to scoop up a small house.

Huge tracked excavators can shift 50 tonnes of materials in one scoop, dropping it on to equally gargantuan dumptrucks. But the forces hringing equipment suppliers together are as powerful as the machines they produce.

That is why, earlier this month, Demag and another hig name in heavy engineering, Komatsu of Japan, said they would join forces to build and market heavy excavators, used mainly hy the mining and natural resources industries.

The venture, which will have annual sales of about DM300m ($214m), is the latest cross-border link-up to reshape the heavy end of tha construction equipment industry.

According to London-based Off-Highway Research, ahout 100 large mining shovels (excavators) were sold in western Europe last year. Worldwida, Demag estimates the market for mining shovels weighing more than 150 tonnes is worth about DM400m a year, excluding spare parts.

Although the market is relatively small, margins are high – it is not unusual to pay well over $1.5m for a machine. But tha price associated with developing and marketing the machines, and keeping them operational during their service life, is also high.

These costs, coupled with the need to offer a full package of machinery, have forced other plant manufacturers into marriages of convenience.

In 1993, Hitachi Construction Machinery, Komatsu's Japanese rival, forged an agreement with Belgian-based VME (now called Volvo Construction Equipment) to form a joint venture, Euclid-Hitachi Heavy Equipment, to make rigid-type dumptrucks in North America. Both parties market and service Hitachi's big hydraulic mining shovels and Volvo's dumptrucks and large-wheeled loaders.

Earlier this year Liebherr, the German construction machinery group which makes mining shovels, acquired Kansas-based Wiseda. Liebherr now offers its customers Wiseda's large dumptrucks.

Demag and Komatsu argue that their alliance, which is to be equally owned, reflects the consolidation taking place among the companies' clients.

"The mining industry, from Australia to Siberia, is consolidating all the time," said Mr Axel Wippermann, Demag's chief executive. "The client wants to buy from one dealer – he does not want to go running around to a dozen different places."

For Demag, an important element in the alliance is improved distribution. The German company – along with *Liebherr and Orenstein & Koppel* (O&K), another big German producer – is an acknowledged master at designing and building mining shovels. But, it says, *Mannesmann's distribution net*work would not hava brought it close enough to its clients in the mining industry.

According to Mr David Phillips, managing director of Off-Highway Research, it is unlikely that Demag could have continued successfully in the sector without a strong partner to increase its share of the market.

Demag will argue that in Komatsu it has found the partner it needed. Through Komatsu's service and distribution network, Demag Komatsu will have an impressive presence, especially in Asia, where the company expects considerable growth.

For Komatsu, the deal brings access to the much larger mining shovels made by Demag. Komatsu makes two large excavators, 100 and 160-tonne units, which are used as mining shovels. Demag's largest shovel weighs 685 tonnes.

Mr Satoru Anzaki, Komatsu president, says: "In the past our clients have often said we should include bigger hydraulic shovels in our range of products. It would have been possihla to develop them ourselves, but as soon es we realised there was interest [on the part of Demag], we appreciated it would be best for clients if we joined forces."

Tha agreement batweeu the two partners includes an option under which Komatsu can take majority control, and Komatsu's track record reveals a tendency to increase its stake in joint ventures.

Demag is not Komatsu's first partner in Germany. In 1989, the Japanese group bought a majority stake in Hanomag, which makes wheel loaders, excavators *and crawler dozers.*

While Demag insists the new veuture with Komatsu will remain separate from Hanomag, the Japanese may well want to fold their German operations together. As Mr Wippermann said: "The rationalisation in [German] engineering has uot come to an end yet."

Michael Lindemann, David Traherne and Andrew Baxter

Diller makes two bids to further his media empire

By Tony Jackson in New York

Mr Barry Diller, the US entertainment executive best known for creating the Fox TV network, is hidding to expand his empire with offers for two loss-making US media companies, Home Shopping Network and Savoy Pictures, for a reported total of ahout $500m. It is *believed the deals will be* financed by the issue of shares in Silver King, a TV company in which Mr Diller took a controlling stake in August.

The deals are seen as part of Mr Diller's strategy of estahlishing a new US TV network.

Diller: offers for loss-makers

Home Shopping, controlled by Tele-Communications Inc (TCI), the biggest US cable TV operator, operates a television shopping service. Silver King, a former subsidiary of Home Shopping which broadcasts its programming through a group of 12 TV stations, was spun off from it in 1992.

Home Shopping said yesterday that Mr Diller, who is on its board, had been appointed chairman and granted options to buy 15m shares at $8.50 a share. It also said Mr Diller was in talks with TCI, through its subsidiary Liberty Media, to acquire TCI's 80 per cent block of Home Shopping voting shares, in exchange for an undisclosed amount of stock in Silver King.

Savoy Pictures, formed by former executives of Columbia Pictures, went puhlic in 1993. Having made losses of $40m in the first nine months of this year, it has recently concentrated on TV stations and programming rather than film production. Its TV stations division, founded last year, is 25 per cent owned by Mr Diller's *former employer*, Mr Rupert Murdoch's News Corporation.

A former head of Paramount Pictures, Mr Diller launched the Fox network for Mr Murdoch in the late 1980s. After resigning in 1992, he bought into Home Shopping's chief rival, QVC, theu launched unsuccessful bids for Paramount and the CBS TV network. Having been bought out of QVC, Mr Diller staged a comehack with tbe purchasa in August of a 20 per cent stake in Silver King, together with 70 per cent of its voting stock. He was also appointed chairman.

The two deals will more than double Silver King's equity base. *Though both Home Shopping and* Savoy are loss-making, they generate cash which would belp Mr Diller in his expansion plans.

German bourses close to merger

By Andrew Fisher in Frankfurt

Germany's leading stock exchanges – Frankfurt, Düsseldorf and Munich – are close to completing operational merger plans, with final agreement expected around the turn of the year.

By combining their share pricing, supervisory and share registration activities, the exchanges aim to produce a greater concentration of securities trading and enhance the status of Germany's financial markets. The smaller Berlin stock exchange has decided to become part of the *joint operation, expected to take* effect in 1997.

The other bourses – Stuttgart, Hamburg, Hanover and Bremen – are staying outside the amalgamation. Under the merger plan, the same price will he quoted for leading shares in Frankfurt (by far tha largest bourse), Düsseldorf (the second largest), Munich and Berlin.

Shares in the Dax 100 share index will be quoted on these exchanges and on Ibis, the electronic trading system which accounts for 40 per cent of trading in the maiu 30 stocks.

Other sbares helow the Dax 100 will only be traded on one of the exchanges. *Frankfurt will be* tbe price co-ordinator for the Dax 30 stocks – the main blue chip index accounting for most dealings – with the other exchanges sharing responsibility for the remaining 70 issues iu the Dax 100.

The agreement provides for the participating exchanges to press on as quickly as possible with computerised dealings. Bankers have welcomed the exchanges' plans as helping to give the stock market a weight and depth which matches tbe size of the German economy.

These will go some way towards meeting the doubts of foreign investors and financial institutions who question the need for eight bourses.

Some bankers do not think all of the smaller bourses will survive in a country where equity-awareness is less developed than in other countries such as the US and UK.

Last week, Mr Ernst Welteke, a Bundesbank council member, spoke ont in favour of rapid progress towards computerisation of share dealings. "I see no *better alternative* to open order books in the long term. Transparency for everyone is better than for a few."

La Caixa expands bank network

By Tom Burns in Madrid

La Caixa, the Barcelona-based *institution* which this year overtook Italy's Cariplo to become Europe's biggest savings bank, has stepped up its challenge to Spain's retail banking system with its *second acquisition* in six months of a stake in a regional bank network.

La Caixa said it had paid Banco Alcalá Pta11.7bn ($97.5m) for 60 per cent of its Andalucian subaidiary, Banco Granada Jerez, which reported net profits of Pta781m last year.

In April La Caixa paid Pta45.8bn for 80 per cent of Banco Herrero, the main financial institution in the northern Asturias region.

"Private-sector banks are bound to feel uneasy with this strategy," Mr José Sevilla, banking analyst of Madrid securities house FG, said yesterday. "La Caixa is snapping up market share wherever it sees an opportunity."

Granada Jerez was formed by the merger of two separata banks *bought by Alcalá for a* total of Pta19bn two years ago. Alcalá, created in 1989 by the Arguelles family, formerly large shareholders of Banesto, put a price tag of Pta30bn on Granada Jerez earlier this year.

La Caixa, which raised third-quarter net profits this year by 18 per cent to Pta40.2bn, said in January that it intended to dilute its strong presence in Catalonia and in the Balearic Islands, the most prosperous areas of Spain, where it had 1,734 of its 2,394 branches.

With its Herrero and the Granada Jerez acquisitions, La Caixa will have 436 branches elsewhere in Spain becoming second only to the Banco Santander group in terms of the uumber of domestic bank offices.

The latest acquisition will *reinforce La Caixa's position in* Andalucia, the largest and the least developed Spanish region. The savings bank has in recent years built up its own network of 109 branches in the area and pursued an aggressive lending policy.

La Caixa has deposits in Andalucia totalling Pta75bn and a loan portfolio worth Pta135bn. Granada Jerez, which bas 236 branchea, had daposits of Pta149.4bu at the end of last year and loaus totalling Pta65.7bn.

EUROPEAN NEWS DIGEST

Hoechst puts plant unit on the market

Hoechst, the German chemicals group, said yesterday that Uhde, its plant construction subsidiary with turnover of around DM650m ($458m), was up for sale, but declined to indicate who might be the eventual buyer. However, industry sources said Metallgesellschaft and Krupp-Hoesch were among the main candidates, along with M. W. Kellogg of the US.

Metallgesellschaft, back in profit after nearly collapsing through US oil futures speculation at the end of 1993, declined to comment on reports it was prepared to pay DM650m for Uhde to add to its Lurgi plant subsidiary.

Uhde, with some 3,300 employees, is a profitable company; more than 90 per cent of its business comes from abroad. Turnover has averaged around DM900m in the past few years, with annual differences reflecting the timing of big contract payments. Hoechst's decision to sell Uhde is part of its policy of shedding non-core businesses. *Andrew Fisher, Frankfurt*

Total sales slip 1.6%

Total, the French oil group, yesterday announced sales for the first nine months down 1.6 per cent at FFr100.6bn ($20.64bn). In the third quarter, sales dropped from FFr83.5bn to FFr33.5bn. Refinery and distribution division turnover was down 5.5 per cent at FFr76.8bn. Exploration and production turnover was up 18.5 per cent to FFr7bn. Chemical sales rose 11.6 per cent to FFr16.5bn. *AFX News, Paris*

Usinor Sacilor investment

Usinor Sacilor, the recently privatised steels group, would invest between FFr500m and FFr1bn ($102m-$205m)in e factory belonging to its Ugine unit at Isbergues in the Pas-de-Calais region, said Mr Francis Mer, chairman. The group would continue to improve productivity at the rate of FFr1bn a year for the next few years, but he warned: "We must stop thinking that improved prodnctivity comes chiefly through job cuts." He also said he wanted to bring Usinor Sacilor's debt level "down to a marginal level in coming years. People," he said, "should pay as much attention to the group's self-financing capacity as to its net profit level in judging its performance."

Mr Mer said the group's fourth quarter output would be lower, because of a reduction in stocks by customers after heavy buying in the first halves of 1994 and 1995. In 1996, "output should reach a plateau" and increased demand could come from China, which may seek more imports after using most of the enormous stocks built up in 1993 and 1994, he said in an interview with Investir, a weekly. *AFX News, Paris*

Akzo Nobel sees savings

Mr Cees van Lede, chairman of Akzo Nobel, the Swedish-Dutch chemicals group, told an analysts' meeting the company expects annual savings of about Fl 200m ($126m) from the merger of Akzo and Nobel Industrier. The savings are about in line with synergy advantages put at between Fl 150m and Fl 200m at the time of the merger, he said.

AFX News, Amsterdam

Lufthansa shrugs off adverse effects of strong DM

By Michael Lindemann in Bonn

Lufthansa, the German airline, yesterday posted virtually static pre-tax profits – before extraordinary items – of DM506m ($357m) for the first nine months.

The carrier was hit badly by the strength of the D-Mark against other currencies, resulting in a net revenue loss of DM230m.

"If the currency rates had not spoiled our business performance, the higher output we achieved would have been reflected in a super result," said Mr Jürgen Weber, chief executive. The company warned it expected to lose a further DM100m in revenues during ths last three months because of currency related problems.

Sales rose 4.7 per cent to DM14.2bn. Lufthanse warned, however, that comparisons with the first nine months of 1994 were misleading bacause various business areas, including the cargo and technical services activities, had since been spun off as separate companies.

Overall, the exchange rate problems in the first nine months had cost Lufthansa DM420m, the company said. However, the strength of the D-Mark meant the company saved DM190m in the purchases of goods and fuel abroad, leaving a net revenua loss of DM230m. Lufthansa earns about half its revenues in foreign currencies.

To counter the effect of the strong D-Mark, the company had raised prices for tickets and other services, but said it had only limited scope to do this because of international competition.

In the medium term, Lufthansa said, services would be moved abroad to reduce the effect of the strong D-Mark. Already part of the company's billing was being done in India to save personnel costs, and in future aircraft would be serviced at the Irish airport of Shannon and not in Germany. The company had also reached an agreement with trade unions permitting it to employ 10 per cent of the cabin staff outside Germany.

Lufthansa carried 30.9m passengers in the nine months, an 8.9 per cent gain on the same period a year earlier. The capacity utilisation rate for passengers improved 0.8 per cent to 71.3 per cent, the company said.

Operating expenses were 2.9 per cent lower than forecast, helping Lufthansa cut its net debt by DM1bn to DM2.6bn in the period.

GAN says restructuring will lead to sharp cut in losses

By Andrew Jack in Paris

Groupe des Assurances Nationales, the state-owned French insurance group, yesterday predicted it would be able to contain its losses for 1995 following the financial restructuring of the past two years.

Mr Jean-Jacques Bonnaud, chairman, said in an interview he believed the losses could be held to "saveral million francs", compared with losses last year of FFr5.3bn ($1.08bn).

His comments come ahead of the findings of a new audit of the company's financial position, which the ministry of economics has commissioned from Morgan Stanley, the US investment bank.

However, ministry officials are believed to share Mr Bonnaud's belief that the most serious problems caused by past losses have now been resolved and thet future provisions will be far smaller.

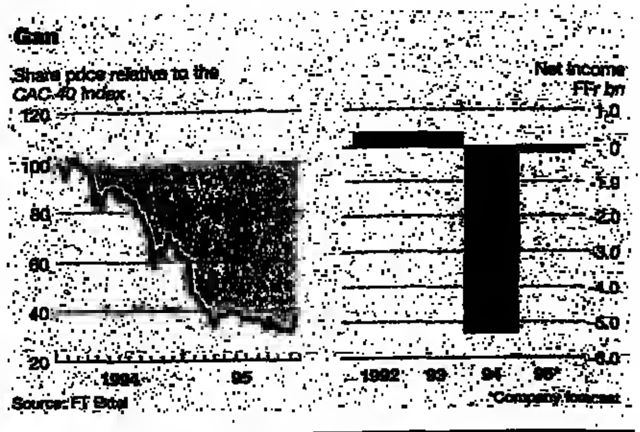
As part of the restructuring, GAN received a recapitalisation earlier this year of FFr2.8bn, and has agreed a programme of asset sales.

GAN has been targeted by the French government for privatisation, but the sale is unlikely at least until 1997, after the sell-offs of two other insurers: Assurances Générales de France and Caisse Nationale de Prevoyance.

GAN's problems are far more challenging than those at its two rivals, largely due to the group's heavy exposure to the property market through UIC, a property development subsidiary which it acquired through CIC, a banking network.

Mr Bonnaud took personal charge of restructuring UIC, and has brought it directly under the control of GAN. He has raised the possibility of an eventual partial sale of CIC to a third party, and is believed to want the purchaser to become a substantial and long-term shareholder in GAN, which would help to preserve the links created between the insurer and its bank.

Mr Bonnaud also predicted the group's insurance activities would be largely profitable this year, at about FFr800m. He expressed his hope that that state would provide a further injection of FFr2bn-FFr3bn ahead of privatisation.



Source: FT Extel

*Company forecast

US buyer offers clean sheet to inkjet printer maker

Imaje's two-year search for commitment is over, says **Christopher Price**

Inkjet printing, one of the fastest growing industries of the 1980s, has been under a cloud during the past year as some of leading companies have been hit by profit warnings and losses.

Last Friday, Domino Printing Sciences, the biggest inkjet manufacturer in the UK and Europe, issued its second profit warning in 10 weeks because of technical problems. Another UK group, Linx Printing Technologies, dived into the red this year as sales faltered.

It is with some relief, then, that Mr Albert Journo, president of Imaje, Europe's second biggest inkjet printer maker, details the sale of the French company to Dover Corporation of the US. The deal ends a two-year search for a long-term investor for the group, which was caught up in the problems of Crédit Lyonnais, the troubled French bank and one of its main shareholders.

"Dover will give us the financial muscle for both acquisitions and organic growth," says Mr Journo, who is remaining at the company's helm.

Imaje had been among the fastest rising of the inkjet groups during the 1980s, when the market was driven by a combination of new technology and legislation. The printing industry took advantage of the growing popularity of bar codes with manufacturers while sell-by dates on food were being ushered in by legislators.

The company's problems began in 1992, when the recession hit trading, a situation made worse by the French franc's strength. "We went from a situation of 30 to 40 per cent growth a year to just 3 or 4 per cent in 18 months," Mr Journo says.

The group lost FFr60m ($12.3m) in 1992 and laid off a third of its workforce. "We had good products but our marketing was poor," Mr Journo explains.

A restructuring in which banks swapped their debt for equity followed, with Crédit Lyonnais taking a 22.5 per cent stake. In the meantime, Imaje had recovered from the worst of the recession, posting operating profits of FFr197m on sales of FFr795m in 1994.

However, it soon becama obvious that the structures in place were unsatisfactory. "The banks were not in for the long-term," says Mr Journo. "We needed to find a long-term stable shareholder." The situation was aggravated by the desire of the French bank to sell its investment as soon as possible.

A list of potential candidates – from venture capitalists, to institutional investors, to a trade sale – was drawn up and finally yielded Dover. The listed US group, which had sales of more than $3bn last year and specialises in buying small to medium-sized industrial groups, was attractive to Imaje because of the organisation's autonomous structure.

"We believa Imaje is now well and truly turned round," says Mr John Pomeroy, president of Dover Technologies, the subsidiary company in which Imaje will operate. "We are long-term investors in industry and with our support we believe Imaje will continne to progress."

The $301m paid for the French group is Dover's biggest acquisition and one of its few overseas purchases. "We are opportunistic acquirers and we are also keen to expand into Europe," Mr Pomeroy says. He adds that additional investment will ba available for Imaje should it be required.

That could be the case as Imaje continues to battle for market share in the increasingly mature European market, expand in emerging markets and establish a presence in the US. There is also the threat from new technology, with laser printing beginning to make inroads into the market, and tha shift towards solvent-free ink prodncts, especially by food companies.

Ukraine hosts battle for nuclear scraps

The first tender for a Ukrainian nnclear fuel plant closed last month. Although it is a small contract – worth about $100m – the stakes are high for the companies bidding, because it will provide an entry to one of the few markets still interested in expanding its use of nuclear power.

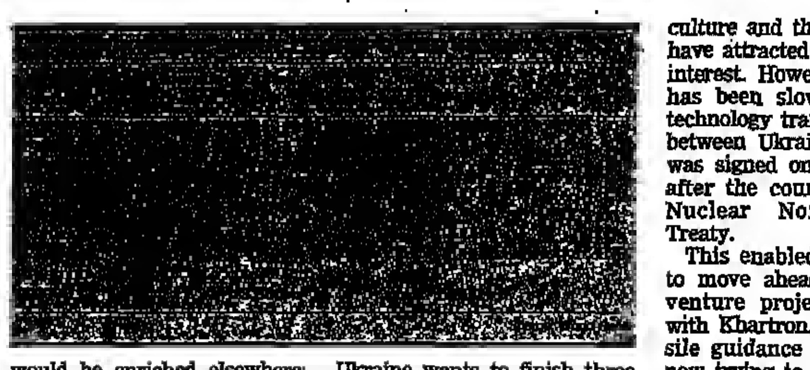
Moreover, the country is unusual in that it wants to purchase nuclear fuel which is in ample supply worldwide.

By next year, the former Soviet republic wants to produce fuel rods, used to power nuclear stations. Ukraine has large uranium deposits and an installed nnclear capacity of 12.8m MW, but is dependent on expensive and low quality Russian supplies.

Four companies have been invited to bid in a closed tender, to set up a joint venture with the government. The inclnde Westinghouse of the US; ABB, the Swiss-Swedish concern; a consortium pairing Siemens of Germany and the French nuclear company, Framatome; and the current Russian nuclear fuel supplier, TVEL.

All are proposing initially to invest about $100m. The Ukrainian government will provide land, labour and some construction msterials.

The plant would assemble nuclear bundles for rods specifically suited to the country's Soviet-built reactors. The rods would be enriched elsewhere: Westinghouse, for example, has teamed with British Nuclear Fuels, which would convert the uranium to nuclear fuel.



The tender's result is expected by tha new year. Initial production could start in 1996, with the plant completed in three to four years.

Ukraine has neither the means nor the need to construct a full-cycle nuclear fuel enrichment plant which would cost $2bn. Mr Phil Evison, the Westinghouse representative in Kiev, says doing the work abroad was safe and inexpensive. "We can demonstrate a proven record of success," he says.

A contract to build the fuel plant would give the winner a foothold in Ukraine, possibly opening doors to other lucrative work.

Other work is in the offing. As the west considers plans to close the Chernobyl station, Ukraine wants to finish three nuclear reactors and modernise existing nuclear, hydro and fossil fuel plants. Repair and refueling work, as well as safety monitoring, could sustain a strong western presence. Billions of dollars in western credits, aid and investmant could finance the work.

"Outside Asia, no one's building nuclear plants," says Mr Şerif Kaynar, country manager for ABB.

"Fuel is only a part of it. There are many opportunities: this is a big, big market, equivalent in size to Italy." Ukraine has the 10th-largest power generation capacity in the world.

The World Bank has also invited tenders for modernising Ukraine's hydro-electric plants. The programme will be funded by a $114m loan approved this year to help overhaul the energy sector.

Energy, together with agriculture and the metals sector, have attracted a lot of foreign interest. However, investment has been slow to follow. A technology transfer agreement between Ukraine and the US was signed only in February, after the country joined the Nuclear Non-Proliferation Treaty.

This enabled Westinghouse to move ahead with a joint-venture project in Kharkiv with Khartron, a nuclear missile guidance system factory now trying to make Ukraine's nnclear power stations safer. Westinghouse has so far invested only $8m in the country.

ABB has been the most aggressive, investing $60m since independence in 1991. But Mr Kaynar says the Ukrainian operation turnover is only $30m, paling in comparison with ABB's $300m business in neighbouring Poland, which has moved further ahead with economic reform.

The engineering companies trade accusations about ona other's competence in local media. They also complain that corruption and weak laws are making investment difficult.

However, according to an energy analyst in Kiev: "They're all vendors, competing in what is now a small market and it's not surprising thet they're picking on each other."

Matthew Kaminski

INTERNATIONAL COMPANIES AND FINANCE

AMERICAS NEWS DIGEST

SmithKline Beecham in Argentine venture

SmithKline Beecham, the Anglo-American healthcare group, has formed a joint venture with Drogueria Americana for the creation of a pharmacy benefit manager company in Argentina. Drogueria Americana, a privately-owned business, is a pharmaceutical wholesaler in Argentina and has a presence in the fast developing PBM market.

The joint venture company, called Diversified Sistemas de Salud (Diversified Health Care Systems), will play an important role in helping improve the efficiency of the healthcare system in the Argentine managed-care market, which is the most developed in Latin America, SmithKline said.

The new PBM agreement is in line with SmithKline's corporate long-term vision of moving from selling pills to providing total healthcare solutions, the company said. SmithKline recently moved into the South African managed healthcare market with the purchase of the South African Total Support Management Group of companies in Pretoria.

The Argentine prescription drug market is the 11th largest market in the world and the second-largest in Latin America. Sales in 1994 were $3bn. *AFX, London*

Wells Fargo offer lodged

Wells Fargo formally lodged its takeover offer for First Interstate with the Securities and Exchange Commission yesterday, and said it would fight to persuade shareholders in the embattled Los Angeles bank to reject a rival offer from First Bank System.

Wells also sought to ease concerns that its offer would take longer to complete than the First Bank System bid. A delay in Wells' offer would reduce the chances of the San Francisco-based bank emerging the victor from the first contested bank takeover battle in the US for nearly a decade.

Wells plans to file a proxy solicitation statement with the SEC in the next week, in which it would ask other First Interstate shareholders to reject the First Bank bid. The bank said the proxy actions could take place during the time it took First Bank to get regulatory approval for its own offer.

It added that it believed it could complete a takeover of First Interstate in the second quarter of 1996, within the same time frame as that proposed by First Bank.

At yesterday's prices, Wells Fargo's offer for First Interstate was worth about $142¾ a share, some $7½ a share higher than First Bank's own all-stock offer. *Richard Waters, New York*

Caribbean airlines in alliance

BWIA International Airways of Trinidad and Tobago has bought a 29 per cent share in Leeward Islands Air Transport, a commuter airline which operates in the eastern Caribbean islands, and which is being privatised by the 10 Caribbean governments which own it.

The price of the transaction was not disclosed. LIAT, based on Antigua, operates a fleet of nine de Havilland Dash-8s and six Twin Otters. The governments which own LIAT are assuming its debts to allow the privatisation.

A consortium led by Mr Ed Acker, a former chairman of the defunct Pan American Airlines, last year bought a 51 per cent stake in BWIA from the Trinidad and Tobago government. "The alliance between BWIA and LIAT will enhance revenues for both carriers, which will benefit from using common hubs in Trinidad, Antigua and Barbados," said Mr Edward Wegel, BWIA's chief executive. *Canute James, Kingston*

Oshawa Group again lifts profit

Oshawa Group, the eastern Canada food distributor, posted its 14th consecutive profit increase because of steadily improving margins and strong gains in efficiency. Net profit for the third quarter ended November 4 was C$12.6m (US$9.3m) or 33 cents a share, up from C$10.7m, or 28 cents, a year earlier, on revennes of C$1.45bn, up from C$1.39bn. The small drug store operation posted a loss, as did property.

Nine-month net profit was C$46.3m, or C$1.22 a share, up almost 16 per cent from C$40m, or C$1.06, on revenues of C$4.75bn against C$4.6bn. *Robert Gibbens*

Computer booster from Amdahl

Amdahl, the California-based computer manufacturer, unveiled its new design for the Millennium Global Servers and Spectris storage sub-systems that boosts the computer systems' capacity and performance while reducing their size.

The Millennium servers are based on complementary metal oxide semiconductor technology and the Spectris sub-systems are designed using a redundant array of independent disks, the company said. *Reuter, California*

US truckmakers prepare to step on the brakes

A sharp fall in orders indicates an abrupt end to the boom in N American trucking, writes **Laurie Morse**

A sharp downturn in net orders for heavy trucks in August and September seemed a sure sign that the two-year-old boom in North American road haulage had come to an abrupt end. Although production of Class 8 trucks, the workhorses of the sector, is expected to peak at a record 240,000 units this year, a late-summer rash of cancellations of truck orders signalled the start of a slide.

Analysts say that any cyclical decline is likely to be more moderate than in the past, and that most heavy truck and engine producers have restructured and are better positioned to weather the lean times. But investors, hurt by deep recessions in the trucking industry over the past two decades, continue to be cautious.

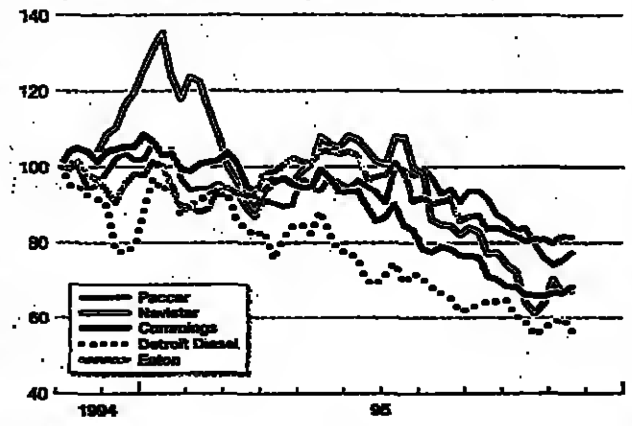
Wall Street has been discounting the share prices of group leaders like Detroit Diesel and Paccar since 1991 or 1992, says Mr Chris Mecray, a transport equipment manufacturing analyst for Alex Brown, the Baltimore-based brokerage firm. "The stock market discounted this group [of companies] way too early," Mr Mecray says, noting production levels continue to rise three years later. "However, people are looking for proof that these companies can perform in this environmeot and still make money."

The US economic recovery helped fuel a flurry of fleet rebuilding over the past two years, putting pressure oo truck and engine manufacturers that had weathered the last recession by closing production lines and laying off workers. Reluctant to invest in significant retooling, producers worked at overcapacity, and maintained record order backlogs.

Those order backlogs peaked at 224,516 units in March, representing a year's worth of output, but by October had thinned to just 124,979. Now, truck assemblers like Chicago-based Navistar and Freightliner, tha group owned by Daimler-Benz of Germany, have begun to cut prices in an attempt to extend the surge into the new year.

US truck and engine manufacturers

Share prices relative to the S&P Composite



Source: FT Extel

Working against them is a slowdown in US industrial production – a leading indicator of truck demand – and a slump in the fortunes of discount retailers like Kmart and Wal-Mart, whose operations provide the basic business of fleet haullers. Demand is diminishing just as the US trucking industry is reaching over-capacity.

Two years of record truck production have not only rebuilt old fleets, but for the first time in two decades added new capacity. The result has been a 5 per cent decline in average cross-country freight rates, a drop almost equal to the gain seen as the North American economies expanded in the early 1990s.

Analysts say falling freight rates prompted many truckers and truck retailers to cancel orders for new trucks this autumn. In August, cancellations reached a record 16,584 units, and remained high in September, leaving net orders negative for the first time since deregulation devastated the heavy truck business in 1980-1981.

Though net order rates for heavy trucks turned positive again in October, the severity of the cancellations was enough to shake many truckmakers into taking a close look at their order books. Yet only one publicly-traded company – Cummins Eugine – bas announced cost reductions or redundancies. Cummius expects to take an unspecified charge to fourth-quarter earnings, and lay off about 8 per ceut of its worldwide workforce.

The company did not pinpoint a reason for its slowdown, but analysts say it may be related to sales weakness at Ford, one of the diesel enginemaker's primary customers.

Other companies, like Freightliner and Mack, are held by large conglomerates, and do not publicly disclose profit downturns or order cancellations.

Mr Frank Prezelski, director of research at Ladenburg, Thalmann and Co, said the industry may be better off than order numbers might suggest. "Even if there is a 20 per cent decline in demand next year, it would still be the third-best year in industry history," he said.

"It is very difficult to forecast, but barring a fairly significant economic recessioo, we could end up with a one-year blip, with productioo dowo slightly in 1996 and flat in 1997 – and then see things come back convincingly."

Scios Nova plans to buy back shares

By Daniel Green

Scios Nova, a US biotechnology group, yesterday announced a share buy-back programme.

Mr Richard Casey, chairman, said the decision to spend $6m on repurchasing shares was based on tha "belief that at current prices our common stock does not reflect the future potential of our research and development pipeline or the value of our other assets."

Such a step is rare in the biotechnology sector, where companies have raised more than $3bn this year in their effort to turn scientific ideas into medical products. The process takes at least five years and usually costs more than $300m for each drug.

Mr Edmund Debler, an analyst with New York securities house Mehta and Isaly, said the buy-back was "a very negative sign for the company".

He said the company should find something in which to invest the money. "It doesn't make sense to give money back to the equity markets at this time."

Mr Casey justified the move on the grounds that the company had $87m in cash, a $30m credit line from a partner (Genentech, another biotechnology company) and commercial operations that brought in "about $7m" a year.

"We believe these assets will provide more than adequate resources to fund the development of our lead products," he said.

Scios Nova shares rose $¼ to $3⅞ in early trading yesterday. Earlier this year they had been above $8.

CanPac reshape clears way for sale of Laidlaw stake

By Robert Gibbens in Montreal

Canadian Pacific's corporate overhaul, due to be completed next May, will speed recapitalisation of the railway and prepare for the possible sale of its property unit and its stake in Laidlaw, the big North American waste management group, analysts say.

CP has been transformed in the past five years. Cominco, its mining and metals arm, and Avenor, the forest products group, were sold off during the recession. CP is being realigned into a holding company with six stand-alone operating subsidiaries: CP Rail based in Calgary, CP Ships, Pancanadian Petroleum, Fording Coal, Marathon Realty, and CP Hotels. Almost 1,500 railway administrative jobs will go.

Shareholders owning 86 per cent of CP's existing preferred shares – who blocked plans to spin off Marathon to shareholders in 1989 – will swap into CP common stock on the basis of 4.263 preferred for one uew common.

CP is taking combined write-offs of almost C$1bn (US$738.5m) on its rail and property operations, and analysts now expect a final 1995 loss of about C$1.85 a share. However, CP stock rose to a 52-week high of C$25.50 because of lower rail operating costs and annual dividend rate up 50 per cent to 60 cents a share.

CP Rail's loss-making Eastern Canada operations may be further reduced or merged into rival Canadian National's eastern network.

The restructuring will be completed at next May's annual meeting, analysts say, when CP president Mr David O'Brien will in full control following the retirement of Mr William Stinson, the long-time chief executive.

Earnings could reach C$1.95 a share in 1996, says Mr Peter Von Ond, analyst with Midland Walwym. Mr John Young, analyst with Richardson Greenshields Canada, is more cautious, saying improvement in CP Rail will be offset by a lower contribution from Pancanadian Petroleum in the near term, because of weak oil and gas prices. He puts 1996 earnings at C$1.45 a share, though he is more bullish on the longer term outlook. The heavy CP Rail write-down will raise its debt ratio and a recapitalisation through the public markets is likely soon, he says.

Laidlaw, already designated a non-essential investment by Mr O'Brien, has top priority at CP. The bolding is worth almost C$300m.

The uew CP will be focused on transport and energy, plus property and botels at the second-tier level, a far cry from the pre-recession conglomerate with broad transport, resource, property and hotel holdings. The future advantage may be a smaller discount on CP common shares in the market.

INTERNATIONAL COMPANIES AND FINANCE

Nine-month income falls at Barito Pacific

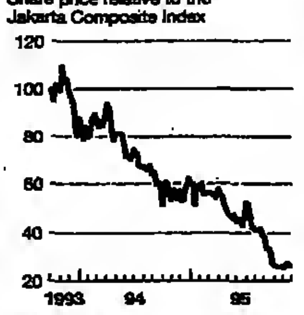
By Manuela Saragosa in Jakarta

Barito Pacific Timber, the Indonesian wood products company which is the world's largest exporter of hardwood plywood, recorded a 58 per cent drop in net income in the *first nine months of this year* as lower sales volumes and prices took their toll.

However, the company, which has released worse-than-expected results regularly this year, noted that a "modestly upward trend" in plywood prices would "serve as crucial support" for the company next year.

Barito Pacific Timber

Share price relative to the Jakarta Composite Index



Source: FT Extel

Net income in the January to *September* period *totalled* Rp59.3bn ($25.9m), compared with Rp142.3bn in the year earlier period. The company blamed the decrease on higher costs resulting from a cutback in production volumes in anticipation of weakening demand this year, and a decline in revenues.

Net revenues in the period totalled Rp605.37bn, down about 12 per cent from a year earlier.

Barito Pacific said that the average selling price for plywood in the third quarter this year was $370.07 per sq metre, higher than that of the previous two quarters, confirming "slow yet steady price recovery".

However, analysts say a recovery in the company's earnings depends on improving demand in Japan, its main export market. Earlier this year there were complaints from Japan and South Korea that Apkindo, the Indonesian Association of Plywood Manufacturers, had adopted a monopolistic sales strategy and remained inflexible in the face of growing competition from Malaysian exporters.

Bad-loan burden restrains Japanese banks

By Gerard Baker in Tokyo

Japan's long-term credit banks and trust banks, among the largest financial institutions in the world, said yesterday that despite strong operating profits they had made little inroad into their enormous burdens of non-performing loans.

Using for the first time a wider definition of those bad loans, most of the banks revealed big increases in their total non-performing loans and demonstrated they still have a *long way to go before eliminating* the problem.

The 10 banks were reporting for the six months to the end of September and, like the city banks which reported last week, most are expecting to make big provisions for bad *loans in the second half of the* financial year.

The three long-term credit banks, whose principal historic role in the postwar period has been as providers of a steady and low-cost flow of funds for Japanese industry, reported a *surge in operating profits* in the half-year period, compared with a year earlier. They attributed the improvement to big capital gains on trading of government bonds, as long-term *interest rates declined sharply* during the period. Lower short-term interest rates from looser monetary policy increased the gains.

But recurring profit, before tax and extraordinary items, was only slightly higher as banks were *forced* to *step* up bad loan provisions. Most impressive was Nippon Credit Bank, whose balance sheet has for some time been the weakest of the three. It registered *record operating profit*, almost three times the corresponding figure last year.

But under new accounting procedures, the three banks also reported for the first time the value of restructured loans on their books. In the past, like the city banks, they have been required only to report as non-performing loans to bankrupt borrowers and those where interest payments are more than six months overdue.

But they are now under pressure from the authorities and investors to publish estimates of their other non-performing loans – those less than six months past due and those where interest rates have been cut to keep a borrower afloat. The new figures almost doubled the previous estimates of the banks' bad loans.

JAPAN'S LONG-TERM CREDIT BANKS & TRUST BANKS

	Mar-Sep 95: Operating profit (Ybn)	% change y-on-y	Recurring profit (Ybn)	% change y-on-y	Net profit (Ybn)	% change y-on-y	Non-perform. loans (Ybn)	1995-96 full-year recurring (forecast)
Industrial Bank of Japan	130.3	(+51.9)	25.8	(-7.4)	11.11	(-28.0)	1,348.0	50.0
Long-Term Credit Bank of Japan	101.1	(+133.9	17.4	(-6.6)	11.0	(-15.9)	1,312.3	30.0
Nippon Credit Bank	96.1	(+187.6)	18.4	(+59.5)	6.6	(-0.1)	1,308.5	18.0
Total	327.5	(+100.6)	61.6	(+6.2)	28.7	(-18.0)	3,968.8	98.0
Mitsui Trust	35.2	(+24.0)	10.7	(+16.3)	5.6	(-2.4)	1,200.7	20.0
Mitsubishi Trust	74.2	(-3.9)	13.6	(-2.7)	6.1	(-23.2)	1,348.0	24.0
Sumitomo Trust	89.2	(+6.8)	10.8	(+3.5)	6.5	(-17.3)	1,226.4	20.0
Yasuda Trust	35.6	(+51.7)	5.5	(-30.1)	3.6	(-24.0)	1,485.5	20.0
Toyo Trust	28.7	(+55.6)	12.8	(+181.0)	3.0	(-13.8)	555.1	15.0
Chuo Trust	14.5	(+138.3)	3.0	(+1.1)	1.5	(-5.4)	351.9	5.0
Nippon Trust	-2.8	-	-2.0	-	-1.9	-	131.9	0.1
Total	274.8	(+16.0)	54.4	(+12.0)	24.5	(-17.7)	6,299.5	104.1

Source: Companies

Among the trust banks, the only banks in Japan permitted to operate *pension funds and* other trust banking accounts, operating profit was also higher, although the structure of their balance sheets means they tend to benefit less from falling short-term interest rates. With the exception of Toyo Trust, recurring profit was mostly flat. The trust banks also gave estimates of their restructured loans, which were higher than expected.

Most of the 10 banks have substantial exposures to the country's *bankrupt housing* loan companies, figures now also included in the bad loans total for the first time.

A decision to liquidate these lenders is likely to be made next month, and all banks will then have to decida how to handla the write-offs.

A growing number are expected to opt to write off the loans in the current financial year in an effort to clean up their balance sheets for good. But the banks said yesterday a decision would not be made until after the full extent of the losses were known.

Koor ahead 59% in third term

By Julian Ozanne in Jerusalem

Koor Industries, Israel's biggest and most profitable industrial concern, yesterday reported a 59 per cent jump in net income for its third quarter to *September* 30.

Net income for the quarter was US$33.5m, or $2.42 a share, compared with $21m, or $1.64, a year ago. Revenue for tha third quarter increased from $665m to $789m and operating income rose from $40.4m to $62.3m over the same period.

The results come only two weeks after Koor raised $120m in a successful global share offering in the US and Europe which was oversubscribed almost three times. The company's American Depositary Shares, worth one-fifth of an ordinary share, are listed on the New York Stock Exchange and quoted on SEAQ in London.

Koor shares on the Tel Aviv Stock Exchange have risen sharply in the past two days of trading, closing yesterday at Shk281.20, up 4.3 per cent on last week's close of Shk269.67.

In an interview Mr Benny Gaon, chief executive, said the results vindicated the company's strategy of turning itself into a multinational concern and concentrating on its core businesses: chemicals, telecommunications and electronics, energy and building and infrastructure. He also said the results underpinned growing international investor interest in Koor and in Israel and the economic boom under way as a result of the Israeli-Arab peace process.

Benny Gaon: reaping benefits of Israeli-Arab peace process

"We are going to maintain profitability and continue to upgrade the value of the share by bringing additional businesses to Koor which are synergetic with our core operations," he said.

The company would focus on making acquisitions outside Israel, he said, particularly in East Asian countries such as Indonesia, Burma, Vietnam, India and Sri Lanka – all markets which have become increasingly open to Israeli companies since the peace process started two years ago.

"The dividends of the peace process are going to come from the outer circle of countries in Asia and Europe and not from our backdoor in the Arab world, and we are ready to take advantage of this," Mr Gaon said.

Yesterday's third-quarter results came after an impressive second quarter. Koor's nine-month revenues rose 17 per cent to $2.5bn from $2.1bn last year.

Net income after nine months rose 24 per cent from $109.6m – or $8.04 per ordinary share – to $136.2m, or $9.91 a share. Operating income rose from $192.3m to $236m.

Marubeni posts strong advance in first half

Marubani, one of Japan's biggest trading companies, saw its consolidated net profit jump 36 per cent in the first half to September 30. The company was using US accounting standards, AP-DJ reports from Tokyo.

Net profit went ahead to Y8.27bn ($81.6m), up from Y6.08bn on revenues which slipped to Y6,880bn from Y7,130bn last time.

Marubeni said overall revenues fell short of the year-earlier level under the weight of the yen's rise.

Improvements in sales margins, however, more than offset higher costs on sales promotions and general administration.

Consolidated operating profit gained 7.7 per cent to Y21.87bn from Y20.30bn a year ago while pre-tax profit in the half was Y15.92bn, up 30 per cent from Y12.24bn.

Revenues from domestic operations were up 3.1 per cent to Y3,600bn, or 52 per cent of its entire revenues in the first half. The company said revenues from textile and food businesses declined, but strong *growth in revenues from metal* trading contributed to the year-on-year gain.

Marubeni estimates that for the year to March 31 1996, net profit will jump 68 per cent to Y13bn whila revenue is expected to shrink 2.6 per cent to Y14,000bn.

David Jones at premium

By Nikki Tait in Sydney

Shares in David Jones, the Australian department stores group, yesterday began trading at A$2.09 – a slender premium to the A$2-a-share offer price.

Over the weekend, the offer price was set towards the bottom end of the A$1.95-A$2.15 range in which institutional investors were invited to submit bids, raising A$700m (US$516m) for the parent company, part of the tronbled Adelaide Steamship group.

Mr Dick Warburton, David Jones's chairman, said he believed it was too early to judge whether the flotation had been a disappointment.

However, he acknowledged that uncertainties hanging over the economy, and the retail sector specifically, plus the Australian political situation appeared to be affecting sentiment.

PUBLIC AUCTION

THE GOVERNMENT OF MENDOZA
REPUBLIC OF ARGENTINA
ECONOMICS AND FINANCIAL MINISTRY

In compliment of Mendoza Province Law Nº 6276, calls a PUBLIC AUCTION for: (a) sale to non governmental buyers of 1.027.552 registered ordinary shares, non endorsable, of one vote and v$n 100 each representing ninety percent (90%) of Banco de Mendoza S.A.'s social capital; (b) 692.813 registered ordinary shares non endorsable, of one vote and v$n 100 each representing ninety percent (90%) of Banco de Previsión Social S.A.'s social capital; (c) the Administration of the FIDUCIARY PATRIMONY, assumed by the Provincial State as a result of BANCO DE MENDOZA S.A.'s assets and liabilities exclusion; and (d) the Administration of the FIDUCIARY PATRIMONY, assumed by the Provincial State as a result of BANCO DE PREVISION SOCIAL S.A.'s assets and liabilities exclusion.

Specification forms value: $15.000.-

Envelopes "A" and "B" presentation: 12/27/95, 1:00pm

Envelope "A" (Qualifications) opening: 12/27/95, 1:00pm

Envelope "B" (Economic offer) opening: 1/05/96, 1:00pm

Envelopes "A" and "B" presentation and opening will take place at: Ministerio de Economia y Finanzas, Palacio de Gobierno, Cuerpo Central, 2º piso, Barrio Cívico, 5500 Ciudad de Mendoza, República Argentina.

Specification forms are available at BANCO DE MENDOZA S.A. Casa Matriz, 9 de Julio y Gutierrez, Secretaría de Directorio, 5500 Mendoza Argentina; BANCO DE PREVISION SOCIAL S.A., Secretaría de Directorio, Av. España y Gutierrez, 5500 Mendoza, Argentina from 8:00am to 2:00pm.

Additional information should be requested at the auctioner address.

LEGAL NOTICES

No. 006193 of 1995

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION

IN THE MATTER OF
LONDON SMALLER COMPANIES INVESTMENT TRUST PLC
-and-
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on the 10th day of November 1995 presented to Her Majesty's High Court of Justice for (a) the sanctioning of a Scheme of Arrangement and (b) the confirmation of the reduction of the capital of the above-named Company from £12,000,000 to £592,496.

AND NOTICE IS FURTHER GIVEN that, the said Petition is directed to be heard before Mr Registrar Buckley at the Royal Courts of Justice, Strand, London, WC2A 2LL on Wednesday the 6th day of December 1995.

ANY Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of capital should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned Solicitors on payment of the regulated charge for the same.

Dated this 23rd day of November 1995

LINKLATERS & PAINES (BD)
Barrington House
59-67 Gresham Street
London EC2V 7JA

Tel: 0171 606 7080

Solicitors for the Company

No. 007131 of 1995

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION

IN THE MATTER OF
HOUSEMAN LIMITED
-and-
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was presented to Her Majesty's High Court of Justice, Chancery Division on 17th November 1995 for the confirmation of the reduction of the share premium account of the above named Company by £33,039,288.

AND NOTICE is further given that the said Petition is directed to be heard before Mr Registrar Buckley at the Royal Courts of Justice, Strand, London WC2A 2LL on Wednesday the 6th day of December 1995.

Any Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of share premium account should appear at the time of the hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any person requiring the same by the undermentioned Solicitors on payment of the Regulated Charge for the same.

Dated the 28th day of November 1995

CLIFFORD CHANCE
200 Aldersgate Street
London EC1A 4JJ

Ref: KO

Solicitors to the Company

هكذا من الأصل

INTERNATIONAL COMPANIES AND FINANCE

Nintendo lifts payout despite setback

By Michiyo Nakamoto in Tokyo

Nintendo, the Japanese video games company, boosted recurring profits and its dividend in the first half of the year despite a slump in sales. The company raised its dividend by Y15 to a full year payment of Y100, making it the highest by s listed company in Japan.

The dividend increase came in spite of a 19 per cent decline in non-consolidated sales, from Y166.1bn to Y135.2bn ($1.33bn), and a 43 per cent plunge in operating profits from Y52.3bn to Y30.1bn because of the poor sales of a new video games machine.

Recurring profits, however, rose 25 per cent to Y63.9bn on the back of a weaker yen. Nintendo, which suffered considerable foreign exchange losses in the previous first half, benefited from foreign currency gains of Y25.7bn in the first six months of this year.

Ths company's core video games business suffered from disappointing demand for its Virtual Boy games machine, which it launched in August.

Against a sales target of 1.5m units in Japan and the US in the first half, Virtual Boy sold 600,000 units in both countries. Virtual Boy is a stand-alone games machine which uses two screens to offer three-dimensional graphics.

Nintendo said the main factor behind the machine's Virtual Boy's failure so far was the lack of attractive software. It hopes to bring out more software for the machine and has not revised its near-term target of selling 3m units in the first year.

Nintendo's first-half profits were also hurt by extraordinary losses of Y9.8bn, stemming from the closure of its UK subsidiary. Ths offshoot was affected by severe prica competition in European markets and Nintendo decided that it would be best to leave UK marketing to a local company.

The company expects strong sales of promising software to lift profits in the second half. The recently launched *Super Donkey Kong 2* sold 500,000 units in two days, while *Dragon Quest 6*, which will be launched early next month, has already won 2m orders.

However, Nintendo revised downwards its group sales target for ths full year, to Y370bn from an initial forecast of Y380bn, as a result of poor sales of Virtual Boy. Last year sales were Y415.7bn.

Recurring profits will bs Y121bn, rather than the Y124bn forecast, although this is higher than the Y73.4bn Nintendo made last year.

Net profits will also be lower than forecast, at Y59bn rather than Y65bn, compared with Y41.7bn.

Pakistan lines up telecom sell-off

Sale will be test of privatisation programme, writes **Farhan Bokhari**

Pakistan begins an international road show this week to privatise Pakistan Telecommunications Corporation, the country's main telephone company.

Government officials are due to give presentations in the Asia-Pacific region, North America and Europe. They have said that the sale could raise up to $10bn, but doubt has been cast over this figure, especially after the problems faced by Indonesia.

The Indonesian government earlier this month halved an international equity offering for PT Telkom, its telecommunications company. Bankers blamed lack of demand from foreign investors, particularly the US, for the decision to scale back the size of the offer.

Pakistan wants to sell 26 per cent of PTC and transfer managemeot to private hands by oext March. The effort is partly driveo by the need to generate foreign exchange to boost official reserves, which have fallen to around $1.2bn from $3.28bn in September.

The response to the PTC offer will also be an important test for the country's privatisation programme.

Mr Farooq Leghari, Pakistan president, recently warned Prime Minister Benazir Bhutto's government against public cynicism over Pakistan's privatisation efforts. He said: "The government has to *ensure that this cynicism is* replaced by full understanding of the manner in which state assets are being privatised."

One example of that cynicism goes back to the troubles faced by the government when it sold up to 11 per cent of the company's sbares through piscements on stock markets in Pakistan and elsewhere. The offer in September last year raised $900m and was hailed as s success.

But the move generated controversy after revelations that documents for the sale had overstated the number of telephone lines in service. That, in the view of some analysts, exaggerated PTC's potential for growth and profits.

Some analysts are also concerned over the recent downturn at the Karachi stock market, Pakistan's largest stock exchange, which has resulted in the PTC shares trading st about 7 per cent below face value. The current price is almost 60 per cent below the high point towards the end of last year.

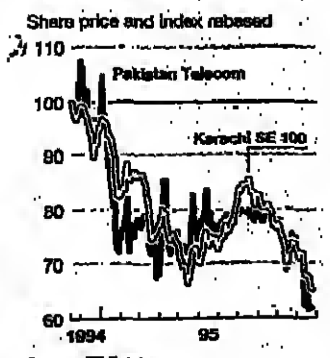
The PTC offer could also be affected by competition created by the privatisation of other telecoms companies in the near to medium term.

The government, however, is determined to go ahead and has rejected fears of a poor response to the issue. Mr Naveed Qamar, chairman of the privatisation commission, says: "The PTC is a very large company; the opportunity we are giving right now is for a long-term investment. It's not going to be affected by short term problems."

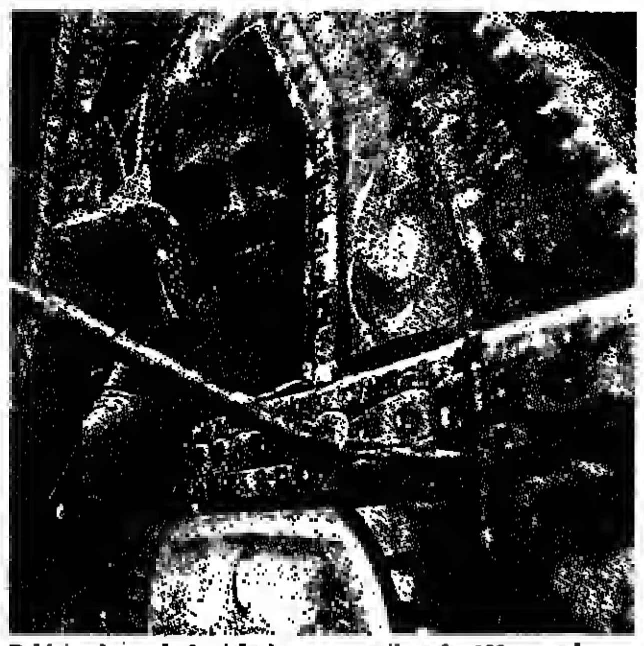
One attraction, he ssys, is that the offering involves "the entire telephone network of a very large country" – almost 130m people – which could act "as a way of entry into south Asia and a gateway into central Asia". There only about 2m telephone connections in Pakistan and the potential for expansion is considerable.

Pakistan Telecom

Share price and index rebased



Source: FT Extel



Pakistan has only 2m telephone connections for 130m people

Amoog the various incentives, the government has said that PTC will have a seven-year "monopoly guarantee" to reassure buyers that the company will not soon be face competition from other operators.

Government officials are also expected to point to the company'a present and future profitability. The latest accounts for the fiscal year ending in June 1995 show profits rising to Rs16.84bn ($492m) from Rs16.02bn a year earlier.

But many analysts are aceptical. Mr Hafeez Pasha, s former commerce minister and director of Karachi university's institute of business administration says: "The timing is not very opportune and we may end up disposing of our assets at more or less give away prices."

He points out that the capital market is stagnant, resulting in some loss of confidence in Pakistan's economy.

Other analysts also warn about fall-out from Pakistan's recent economic troubles. The government devalued the rupee last month in an effort to boost sagging exports and to recover the loss in foreign exchange reserves.

Moreover, the KSE-100 index on the Karachi stock market has lost more than one-third of its value during the past year as investor confidence has been hit by concerns over the violence in the city, Pakistan's business capital.

More than 1,700 people have been killed, but there are as yet no signs of a political agreement between the government and the Mohajir Qaumi Movement, Karachi's largest political party, which could bring peace to the city and therefore improve the business climate.

CRA and RTZ to detail plans for link-up

By Nikki Tait in Sydney

CRA, tbe Australian mining company, and RTZ, the larger London-based resources group wbicb owns 49 per cent of CRA, will put their plans for a "dual listed company" structure to shareholders on December 20.

The unusual scheme, which would see operations and management merge but not involve either company bidding for the otber, was announced seven weeks ago.

A 350-page document detailing the new arrangements was sent to CRA shareholders yesterday, empbasising the group's belief that to produce "attractiva" returns to shareholders it needed to increase its asset base, notably outside Australia.

The document notes that the closer tie-up with RTZ would give CRA shareholders "exposure to an international portfolio of world-class assets" which it would take CRA a long time to build on its own.

CRA's involvement with copper would be increased because of RTZ's strength in this area, while the Australian company says its large coal operations could gain from RTZ's operating expertise in the US. Conversely, CRA could halp develop RTZ's iron ore project in Orissa, India, and its promising Diavik diamond resource in Canada. The Australian company has experience in both areas, because of its large iron ors and diamond operations in Western Australia.

The document said no decision had been made on whether to list CRA shares in London, and RTZ shares in Australia.

However, it did clarify the takeover situation once the dual-list company structure is in place: through changes to the articles of associstion, shareholders of both companies will receive takeover offers if a third party acquires ahares and exceeds a specified control threshold level in either CRA or RTZ.

In addition, CRA gets the added protection that no RTZ-related shareholding can be sold into a takeover offer for CRA by a third party without a joint decision by the shareholders of CRA and RTZ.

If the details are approved, the companies will issue unified accounts for ths year to end-December 1995.

They will use UK accounting standards, with additional Australian reconciliation statements.

Offer for Alfred McAlpine is withdrawn after rejection by board

Kvaener launches hostile bid for Amec

By Andrew Taylor, Construction Correspondent

Kvaerner, the Norwegian ship building and engineering group, yesterday launcbed a bostile bid for Amec, whicb had its own plans to buy a rival UK construction group snubbed by the target, Alfred McAlpine. Kvaerner's offer of 100p for each Amec ordinary share is expected to value the Britisb group at about £375m ($592m) wben terms for preference sbare holders are announced shortly.

Alfred McAlpine meanwhile unanimously rejected Amec's all-share offer which had valued it at £133m. The 2-for-1 offer, which was dependeot oo the board's support, was withdrawn by Amec. McAlpine's sbare price fell 19p to 140p compared with a notional offer price of 196p, based oo Amec's closing share price which yesterday rose 2p to 98p.

Amec said it was disappointed that Kvaerner had decided to proceed unilaterally with an offer, knowing it to be unacceptable to its board.

The offer of 100p a share under-valued profit recovery prospects following the completion of problem contracts and the award receotly of several large cootracts in Asia.

Kvaerner said yesterday it would not increase its offer unless a rival bid emerged. Its offer will not be extended beyond 1pm on December 18.

The offer was 32 times Amec's 1994 earnings, 36 times forecast earnings for 1995 and 24 times the 1996 figure, based on analysts' pre-tax profits forecasts of £20m for this year and £26m next.

The price of Kvaerner's B shares, bowever, fell yesterday by a further NKr3 to NKr200 baving already declined by more than 30 per cent this year.

Mr Erik Tonseth, Kvaerner's chief executive, said a takeover would create ooe of Europe's largest process engineering and constructioo groups, specialising in fabrication for the oil and gas industries. The combined engineering and construction businesses are expected to geoerate sales of more than £3.5bo this year.

This would place a merged group amoog the top seven of European construction companies behind Bouygues and SGE, of France, and Philip Holzmann, of Germany, each of which had construction and engineering turnover of more than £5bo last year. Another three companies, GTM Entrepose and Eiffage, of France, and Trafalgar House had sales of more than £3bn.

The figures do not include Kvaerner's ship building and shipping interests. They also exclude Amec's bouse building divisioo which Kvaerner has indicated it would sell if its bid succeeds.

Mr Tonseth, who has pledged to move the group's international headquarters to London, said the combined groups would have the support of a much larger balance sheet, which was essential if they were to compete regularly for big jobs.

Kvaerner had shareholders funds of £718m at the end of last December, compared with £68.5m at Amec. The purchase could be financed by cash. Gearing would rise from about a third to three-quarters before any disposals.

The North Sea oil and gas businesses of the two companies would be complementary, with Amec strong in the UK and Kvaerner in the Norwegian sector.

Both businesses were seeking to expand their markets outside the North Sea and savings could be made by working together rather than in competition, he said.

Kvaerner is a leading supplier of technology and equipment for the paper and pulp industry, hydro-electric power schemes and waste to energy developments.

Kvaernar yestarday increased its stake in Amec from 12 per cent to 14 per cent. SBC Warburg is advising Kvaerner and and NatWest Markets is advising Amec.

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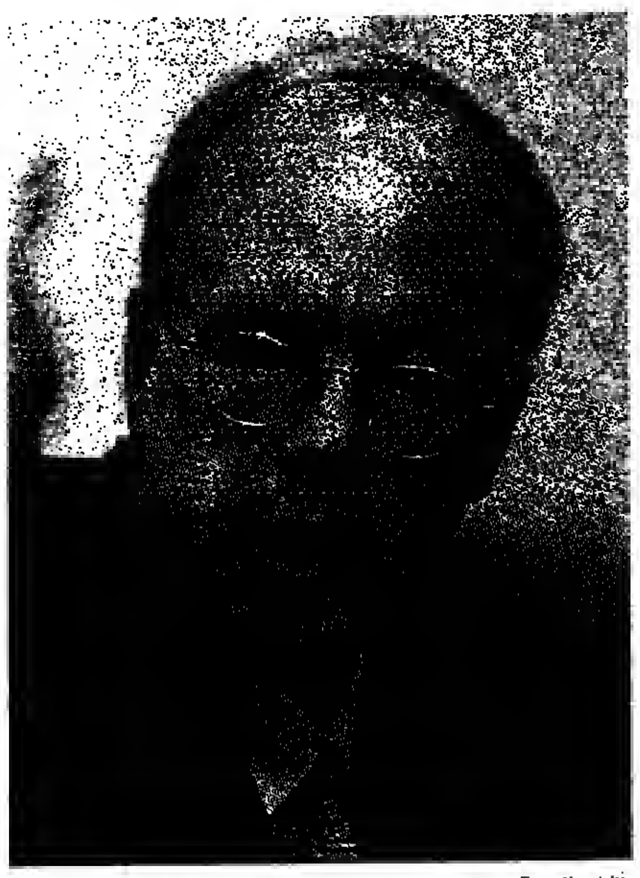

Trevor Humphries

Erik Tonseth: pledged to move group's HQ to London

Noboa may bid for Geest bananas

By David Blackwell

Geest, which last week finally admitted that its banana business was up for sale, will have to give the Windward Islands the chance to counter any offer.

Under the terms of its contract with the Windward Islands, which was renewed in April, Geest is required to give a minimum of 30 days formal notice of an offer. The Windward Islands Banana Development Company (Wibdeco) can then match it.

Fyffes, the Dublin-based fruit and vegetables company that has formed a joint venture with Wibdeco, has already sent Geest its formal offer. The Windward Islands government has received no formal notice about any other potential buyer.

The front runner is understood to be Noboa Corporation, an Ecuadorean group which has a small European presence in the Bonita brand, marketed through Pacific Fruit in Antwerp. A price tag of £130m ($205m) is thought to be under discussion, although the Fyffes joint venture offer is unlikely to be anywhere near that high.

Geest shares added a further 6p to 148p yesterday, giving the entire group a market value of £106.3m. This puts the group on a historic p/e of 15 if exceptionals are excluded, a little higher than Fyffes.

Mr David Sugden, chief executive of Geest, and Mr Michael Dowdall, chairman, were in the Windward Islands at the weekend to try to head off concern. Geest's contract, which covers about 20,000 small growers in the islands, has another five years to run.

The Windward Islands government said it would take "all appropriate steps" to protect its growers' interests. It is concerned by the possibility that a so-called dollar banana group such as Noboa, which has strongly criticised the EC banana regime, might get hold of Geest, the UK market leader, which has shipped bananas from the islands for more than 40 years.

LEX COMMENT

Provisions

Restructuring has become such a way of life for UK companies that investors no longer raise an eyebrow at the huge provisions that accompany such exercises. This month alone, a handful of companies, including Arjo Wiggins Appleton and Lloyds Bank, have announced plans to set aside a total of £600m.

Cutting costs and increasing efficiency is laudable. But a "big bath" restructuring provision, taken up-front, enhances reported earnings later on, as costs bypass the profit and loss account. Even worse, the smooth upward trend in earnings in subsequent years often disguises the cash drain of an ongoing restructuring.

New proposals from the Accounting Standards Board aim to stop this. Provisions for future operating losses will no longer be allowed. Providing for reorganisation will be possible only if the company has a detailed plan in place and has irrevocably committed itself to the restructuring – for instance, by having announced it. A board decision, which can be quietly revoked, will no longer be enough.

Companies may oppose the plans as a threat to their flexibility: early public declarations could certainly complicate relations with employees and suppliers or help competitors. The simple remedy is not to announce a provision until all the plans are in place. Industry's secret agenda may well be to preserve the ability to massage profits upwards. But losing such an option is a price worth paying if, as a result, investors place more faith in company earnings.

DIGEST

Lees plans split of GKN top jobs

GKN, the automotive components, defence equipment and industrial services group, is to split the role of chairman and chief executive, with effect from 1997. Sir David Lees, who has been chairman and chief executive since 1988, will become non-executive chairman at the end of next year. The company hopes to name a new chief executive before May's annual meeting.

Although Sir David has hinted he would prefer a successor to emerge from within the company, one of the leading candidates is understood to have ruled himself out. Mr Trevor Bonner has made it clear that be wants to continue as managing director of the automotive and agritechnical products division, GKN's largest.

Another possible candidate, Mr John Parker, the chief executive of Babcock International and a non-executive director at GKN, has also indicated he does not want the job.

Analysts, however, said the search for a chief executive was unlikely to have any impact on GKN's operations. *Tim Burt*

Sears disposes of Olympus

Sears, the retailer, is selling one of the UK's best-known sports retailers, Olympus for about £20m ($32m) to a private company formed by Mr Philip Green, owner of the Xceptions and Owen Owen retail businesses, and Mr Tom Hunter, who runs the Sports Division chain.

It is planned to merge the lossmaking Olympus's 123 high street stores, 53 concessions, and 22 out-of-town superstores with the 45-store Sports Division to form Europe's biggest independent sports retailer, with 250 outlets and £250m annual sales. *Neil Buckley*

Mixed fortunes for car market restrict Marling

By Thierry Meyer

Marling Industries, the textile company, yesterday reported interim pre-tax profits more than doobled from £1.14m to £2.48m ($3.9m) and a further improvement in gearing, from 83 to 58 per cent.

Operating profits were flat at £3.17m for the six months to September 30 although last year's period took in a £1.24m loss on disposal of continuing operations. Turnover rose slightly from £31.9m to £32.5m.

Mr William Rollason, finance director, said the group had maintained margins at 9.8 per cent and had a "comfortable" interest cover of 4.3.

Mr David Abel Smith, chief executive, said the performance had been "encouraging, as all sectors are now profitable".

In the seat belt webbing business, where Marling retains a 20 per cent world market share – 48 per cent in Europe – VOA, the Dutch manufacturer, had slower growth because of the mixed fortunes of the European car market and a steep rise in raw material prices.

Production of webbing will start next December at a joint venture facility in China, where the first client will be Volkswagen. Production is also to start next spring once refurbishment work has been completed on Marling's plant in Canada. Total investment in both projects amounts to $3.75m (£2.37m).

Healthcare was boosted by higher sales of Unipant, a single-sized stretch brief for incontinence.

Sharp US advance boosts Vibroplant

By Peter Pearse

A sharply increased contribution from US operations enabled Vibroplant, the plant hire group, to report a 14 per cent pre-tax profits rise in the six months to September 30.

On flat turnover of £34.8m (£34.2m), profits advanced to £3.68m ($5.81), against £3.22m. Figures last time were restated to comply with FRS 5 and changes in tha treatment of leases. Pre-tax profits from the US side, which Vibroplant wants to sell, jumped to £2.31m (£784,000). This compares with a pre-tax fall in the UK operations from £2.43m to £1.37m.

Mr Jeremy Pilkington, the chairman whose family controls 51.3 per cent of the equity, said the US performance would help the sale of American Hi-Lift. The performance benefited from the levels of capital expenditure, he said.

Mr Pilkington said the sale process was in "the final stages", but did not expect any announcement until "the other side of Christmas". The money raised would make the group cash-positive.

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COMPANY NEWS: UK

Salvesen beats expectations with £45m

By Geoff Dyer

Christian Salvesen, the distribution group, pleased investors yesterday by announcing the return to growth of its specialist plant hire division and a 9 per cent rise in interim pre-tax profits.

The rise to £45m ($71m) – higher than expectations – was also assisted by a modest increase in distribution profits despite continued margin pressure in the UK grocery market.

The shares rose by 14p to 254p.

Aggreko, the specialist plant hire business whose performance causad Christian to make a profits warning 18 months ago, improved profits by 21 per cent to £18.2m (£15m). Before the warning it had been viewed as driving force behind group earnings.

Commenting on the turnround at the business, which hires out power generation and temperature control equipment, Mr Chris Masters, chief executive, said: "These figures prove that it is in no way an ex-growth business."

He said that information technology systems had been installed to allow it to manage the business properly and to increase utilisation rates.

In the US, which makes up 50 per cent of the division's profits, a record amount of machinery had been on hire over the period and the division had won a contract to supply equipment to the Atlanta Olympic Games next year. Business levels in the UK were also well up, aided by the hot summer weather.

Chris Masters: 'plant hire not an ex-growth business'

Distribution profits rose to £22.8m (£21.7m) on turnover of £223.5m (£190m).

Mr Masters said the UK grocery market, still the group's largest, would continue to be difficult. Margins were also under pressure in the German food distribution market.

However, the group had seen a "healthy" increase in new business in France and the Benelux countries.

The interim dividend is 3.5p from earnings of 10.84p.

Spring Ram recovery hit by poor housing market

The recovery at Spring Ram, the Yorkshire-based kitchens, bathrooms and furniture group which plunged into heavy losses two years ago following a decade of exceptional growth, has run aground, writes Patrick Harverson.

Yesterday the group warned that a combination of the UK housing slump, rising raw materials prices and restructuring costs would leave its annual results "well below" market expectations. It also warned it might not propose a final dividend at the year-end.

The news saw Spring Ram's share price plunge 7p, or 30 per cent, to 17p. At the height of Spring Ram's profitability in 1992 the shares were worth 181p.

The hangover after the party

Simon London finds shaky foundations underpin chartered surveyors

The wine-bars of Mayfair in central London, the habitual haunt of the UK's commercial estate agents, will be unusually glum this Christmas. Chartered surveyors enjoyed the good life in the 1980s when the property market was at its peak, but now face the biggest squeeze for a generation.

Surveying firms are laying off staff, merging with their competitors and going out of business against a background of falling fee income and often excessive overheads.

The latest movs came on Friday with the announcement that Herring Baker Harris, which floated in 1988 as Herring Son & Daw, may be subject to a reverse takeover by Lambert Smith Hampton.

At its peak in 1992, following a merger with Baker Harris Saunders, the company was valued at more than £20m. Before Friday's announcement, its market value had dwindled to less than £2m.

Surveying firms earn fees by acting as agents in property transactions and providing professional services such as valuations and rent reviews.

Agency income has declined across the industry this year because relatively few property transactions have taken place. Indeed, the level of property investment activity is as low as at tha trough of 1992. Professional fees are being squeezed as rival firms compete for business. Many in the industry estimate that there is about 25 per cent more capacity than is required to support the amount of work available.

Ironically, firms are also hamstrung by property costs. Many expanded in the late 1980s and signed long leases at high rents which are impossible to shed. Earlier this year Herring Baker renegotiated its main leases, which reduced its rents but gave rise to an £870,000 exceptional charge.

High property costs were one factor behind the collapse of Colliers Erdman Lewis, which fell into receivership in October. The firm has now been acquired by Conrad Ritblat, the quoted chartered surveying firm chaired by Mr John Ritblat, who also heads British Land, the UK's third largest property company.

Surveying firms are responding to this pressure in a number of ways. Some are expanding while others are chasing new sources of business such as consultancy work

Surveying firms are responding to this pressure in a number of ways. Some are expanding in attempts to create larger organisations with lower costs and higher margins.

Lambert Smith Hampton recently merged with another rival, Connell Wilson, to create the fourth largest firm of chartered surveyors, with annual fee income of about £30m.

Chesterton, the largest firm, has expanded rapidly by buying small regional practices. It argues that only large companies will be able to afford to invest sufficiently in information technology and training.

Firms are also chasing new sources of business such as consultancy work. Chesterton is pursuing facilities management contracts – where companies contract out the management of their premises. It is negotiating with British Gas to take on the utility's facilities management work in return for an equity stake.

Conrad Ritblat has caused a stir among its contemporaries by assembling a property investment portfolio of its own as well as advising clients.

"We recognise the need for a service business to have solid foundations. What better base than a property portfolio?" says Mr Philip Lewis, executive director.

In August, the company paid £10.5m for a portfolio of 160 pubs from Allied Domecq. It already owned four office buildings, including its City of London headquarters, and now has gross assets of about £40m.

Mr Lewis added that the pubs deal also served to cement the firm's relationship with Allied Domecq, an important client. "We won't touch anything which jeopardises our relationship with clients."

Despite the recent consolidation, though, the industry remains fragmented. Chesterton, which employs about 1,950 staff, estimates that its share of the UK market for property advice is less than 5 per cent.

Industry leaders believe that more mergers are inevitable unless the commercial property market returns to the exceptionally high levels of activity seen in the late 1980s.

However, the barriers to consolidation are formidable. Firstly, many surveying firms are professional practices rather than limited companies. A consensus is required among all of the partners in the firm before a merger can go ahead.

Second, barriers to entry are low. Every merger spawns new small companies as professional staff leava to set up their own businesses. The bottom line is that there is not enough work to support the UK's 70,000 chartered surveyors. Until the market picks up or surveyors drop out, the going will remain hard.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Ashbourne	Yr to Oct 1	26.7	(23.5)	6.5	(1.19♥)	12.47★	(6.52)	2.2	Feb 8	-	3.3	-
Atreus	6 mths to Sept 30	2.79	(2.94)	0.234L	(0.331L)	0.32L	(0.66L)	nil	-	nil	-	6.25
Dee Valley Water	6 mths to Sept 30	5.8	(5.71)	2.91	(2.22)	19.59	(13.67)	4.83	Jan 2	-	-	-
European Colour	6 mths to Sept 30	10.2	(8.51)	1.36	(0.856)	2.35†	(1.74)	0.775	Jan 8	0.575	-	1.7
Field	6 mths to Oct 1	97.3	(77.7)	9.07	(7.26)	11.5	(9.4)	2.8	Feb 19	2.5	-	7.7
Gibbs Mew	24 wks to Sept 16	21.2	(17.6)	2.52	(1.86)	14.39†	(15.57)	4	Apr 8	4	-	9.5
Marling Inds	6 mths to Sept 30	32.5	(32)	2.48	(1.14♠)	0.83	(0.08)	0.25‡	April 4	0.25	-	0.82
Merrydown	6 mths to Sept 30	18.4	(12.1)	1.16	(0.34)	7.11	(2.08)	2	Jan 18	1	-	1
Moran	Yr to June 30	64.6	(49)	0.622	(1.21♥)	2.01	(4.8)	0.5	Jan 31	nil	0.5	nil
Neepsend	6 mths to Sept 30	12.2	(9.46)	0.803	(0.506)	2.4	(1.6)	0.6	Jan 23	0.5	-	1.6
Photobition	6 mths to Sept 30	7.63	(5.51)	1.26	(0.74)	8.1	(6.5)	2.6	Apr. 6	-	-	3.8‡
Salvesen (Christian)	6 mths to Sept 30	348	(319.3)	45♥	(41.4)	10.84	(10.5)	3.5	Feb 5	3.4	-	8.4
Sanderson Elect	Yr to Sept 30	57.6	(34)	5.31	(4.23)	8.8†	(7.3)	1.9*	Feb 5	1.6	-	3.4
Shaw (Arthur)	6 mths to Oct 1	9.77	(10.3)	0.111	(0.402)	0.21	(0.77)	0.2	Jan 19	0.2	-	0.6
Tinsley Robor	6 mths to Sept 30	21.3	(14.7)	1.52	(0.731)	3.7	(1.6)	0.75	Jan 31	0.333	-	1.5
Tunstall	Yr to Sept 30	60.7	(50.1)	8.59♥	(7.59)	21.1	(15.4)	2.875	Feb 5	2.5	4.365	3.85
Vibroplant	6 mths to Sept 30 ★	34.8	(34.2)	3.68	(3.22)	5.1	(4.44)	1.4	Jan 9	1.35	-	4

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
British	6 mths to Sept 30	253	(231)	12.26	(11.54)	3.93	(3.7)	2.2	Jan 12	2.1	-	5.2
F&C Pep	Yr to Sept 30	129.6	(117.6)	2.38	(1.84)	4.29†	(3.88)	2.35	Jan 12	2.5	3.85	3.5

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. ☆After share consolidation. †On increased capital. *First interim for year to September 30 1996. ‡Maiden final. ★Comparatives restated.

COMMODITIES AND AGRICULTURE

Saudi Arabia puts oil price before market share

By Robert Corzine

Saudi Arabia has decided that tha quest for higher oil prices should take precedence over any ambition to carve out a greater share of the world's growing oil market.

The kingdom, which is the world'a largest oil exporter, is said to be content with its present production level of 8m barrels a day. This is in spite of public protests from Saudi officials that producers outside the Organisation of Petroleum Exporting Countries are capturing the lion'a share of the growth in the world oil market at the expense of Opec producers.

At last week's Opec meeting in Vienna Saudi Arabia said little about non-Opec production, the issue that has dominated discussions within the group over the past year. The message to other Opec states from Mr Ali Naimi, the new Saudi oil minister, was that closer adherence to the 24.52m-barrels-a-day production ceiling remained the group's best option for boosting net revenues.

Saudi delegates suggested that $1 to $2 a barrel could be added to the present oil price if Opec over-production, estimated at 400,000 to 1m barrels a day, was reined in.

The kingdom's longer-term price goals also appear relatively modest when viewed against the official Opec target of $21 a barrel for the Opec basket of seven crude oils.

"We could live" with oil prices in the $16-$20 range for the benchmark Brent Blend, a Saudi official said.

Opec last week claimed that some non-Opec producers had accepted the need to share the growth in the global oil market among the world's exporters. But Saudi officials are said to be acaptical about any short-term solution. Although they predict a slowdown in non-Opec output next year, they believe there is little that Opec can do, abort of engineering a politically difficult price collapse, to prevent international oil companies from expanding production.

Saudi officials also believe that attempts to persuade key non-Opec producers such as the Norwegians, the world'e second largest oil exporters, to co-operate in stabilising the market are doomed to failure unless Opec falls into line with its ceiling.

The tough talk last week between Saudi Arabia and Venezuela, a founder member of Opec and at present the most serious qnota violator, caused some analysts to wonder whether the group's core of big producers was in danger of melting down. Certainly Saudi officials made little attempt to hide their anger at Venezuela's persistent quota violation.

Some delegates said that the problem of Venezuelan over-production, which in large part is a reaction to the severe shortage of foreign currency faced by the Sotnh American country, could soon be eased if it succeeded in negotiating a new agreement with the International Monetary Fund.

Money from such an agreement could be evailable some time in the first quarter of next year, although there is still a long way to go before any deal is finalised. In addition Venzuela's President Rafael Caldera, a critic of the IMF, may not be able to bring himself to sign it.

Even if he does, however, there are soma who see the seeds of Opec's long-term destruction in tha decision by Venezuela and other member states to rely on foreign companies to maintain or boost their oil output.

The prospect that there may soon have to be internal company quotas for member states as well as national ones would probably make the present system unworkable, say analysts.

So is Opec a dying institution that no longer reflects the realitiea of the world's oil industry? "The market cares about Opec and it doesn't care about Opec," admits one Saudi official. He contends, however, that it will prove relevant in the long term.

Others are not so sure. Mr Robert Mabro, head of the Oxford Institute for Energy Studies, compares Opec with "a tiger that for the last 10 years has been either asleep, in a coma or dead".

As long as the oil markets remain uncertain about its status, they will continue to give the Opec "tiger" a profit of around $8 a barrel.

"At some stage the market might feel confident enough to twitch the tiger's nose with a stick," says Mr Mabro, but only when it can "smell the stink of the carcass".

Bolivia's gold acts as a magnet on prospectors

Like many of its Latin American neighbours Bolivia is in the grip of gold fever, writes Sally Bowen

Like many Latin American countries, Bolivia is in the grip of gold fever. Exploration companies are prospecting the length and breadth of the country, finding promising deposits in many, so-far undeveloped areas.

At last month's well-attended mining conference in La Paz, a large percentage of the 300 overseas participants represented gold mining ventures. Some, like RGC, American Barrick and RTZ already had Bolivian exploration subsidiaries up and running; others were scouting for potential partners and concessions.

Gold, of which Bolivia at present produces 14 tonnes a year, is now the chief export earner and optimists say output could easily double in the next few years. "If you want to get into basic exploration and get in cheap, this is the only place to be," says Mr Charles Bruce, a consultant with long experience in Bolivia.

Canadian juniors need no convincing: they are already in Bolivia in force, sometimes linked up with local partners, already scrapping over promising deposits. Eaglecrest Explorations of Vanconver, for example, in association with Bolivian-based Excalibur, believes it has made the largest gold find for as decade.

It has claimed 7,000 hectares in the San Simon area of the Beni department and says that the main deposit – known and worked since the time of the Jesuit missions – has undeniable reserves of over 1m troy ounces. So far Eaglecrest has explored only a tenth of its total claim area, but financing for forthcoming trenching and drilling is secured, according to company president Mr Victor Lahmer.

The San Simon region, less than 50km from Bolivia's eastern border with Brazil, is remote and rugged. Some small-scale extraction is under way by Brazilian "garimpeiros" (unlicensed miners) who smuggle gold back across the border apparently with the connivance of local authorities.

Excalibur and Eaglecrest say they hava invested some $600,000 so far in exploring the zone and have budgeted $2m this year. Development costs are estimated anywhare between US$200m and $800m.

Numerous other companies are exploring potentially rich concesaions. Da Capo resources, also of Vancouver, has been disputing Eaglecrest's San Simon claim bnt, meanwhile, is concentrating on Amayapampa, south-east of Oruro on the western edge of the eastern cordillera. Da Capo has pre-feasibility stndies under way and says it is looking at 1m-ounce project.

> 'If you want to get into basic exploration and get in cheap, this is the only place to be'

Preliminary exploration reports from across the national territory indicate a number of important finds to be confirmed. Many of these are in areas not traditionally considered gold-rich, although some deposits have been known and desultorily worked since colonial times.

One such, and the furthest advanced of these new ventures, is the Puquio Norte deposit in the east being jointly developed by Britain's RTZ and Comsur, Bolivia's leading mining company. Investment to date tops $21.5m and plant construction is due to start before the year's end.

Puquio Norte's 2.9m tonnes of alluvial gold reserves average 2.43 grams a tonne: it is planned to process 1,500 tonnes daily. Officials say this will be the first fully mechanised mining operation in the non-traditional area of San Ramon.

Also in Bolivia's eastern pre-Cambrian shield is the much talked-of Don Mario prospect, co-owned by Gencor Billiton and Bolivia's Emusa mining group. The joint venture, La Rosa, has spent $8m since mid-1993 to prove some 6m tonnes of ore with between 1.5 and 2 grams of gold and 40 to 60 grams of silver a tonne. Reserves also contain about 2 per copper.

Company officials hope the further $10m they will spend in the next nine months will boost reserves to 40m tonnes. Initial projections are for 150,000 ounces of gold a year. However, optimistic Mr Oscar Kempff, La Rosa's managing director, says output could eventually be almost three times that – which would take it past Battle Mountain's Kori Kollo, at present Bolivia's leading and Latin America's second-biggest gold producer.

Mr James Stewart of Canada's Takla Star, which concentrates on nickel back home, calls the company's Orkho Piña gold deposit on Bolivia's border with Chile "one of the most exciting projects I've seen: Bolivia has the potential to become the Nevada of South America". Canada's Corriente Resources and Barrick Gold, meanwhile, are quietly enthnsiastic about their respective southern concessions of Tasna and Mestizo.

Kori Kollo remains far and away Bolivia's greatest gold mining success story so far. Located near Oruro and the largest gold producer in Latin America last year, it has now been overtaken by Peru's Yanacocha. But output is up again this year and should top 335,000 ounces.

Potential investors seem content with Bolivia's investment and tax regimes. The mines ministry is moving ahead with legislation designed to clear up some gripes: procedures for obtaining mining rights will be simplified and legal guarantees for concession holders strengthened.

"I see Bolivia as Peru was some three years ago: with good basic conditions and excellent potential for some exciting discoveries," says Mr Len Harris, one of the region's most experienced miners and the man responsible for developing the fabulous Yanacocha. "The Bolivian government is showing the same sort of commitment as we found in Peru."

Brazilian coffee rebels plan rival export federation

A group of Brazil coffee exporters were expected yesterday to formalise the establishment of an association that they felt would represent them better than the current federation, a representative of the group's said, reports Reuters from Rio de Jaeiro.

The group has fallen out with the Brazilian Federation of Coffee Exporters (Febec) over its (Febec's) plan to ration exports as part of an international scheme aimed at reducing world stocks.

At the same meeting, however, members were to hear a proposal from Febec, which is seeking to bring the rebels back into the fold, said Mr Joaquim Libanio Leite.

"A proposal was made [last week] which will be put to all our members. Febec's wish is thet there is no new association," Mr Leite said.

The exporters broke away from the Febec line when they refused to sign a private sector plan that divided out exports internally and set taxes to be deposited in a promotional fund. The scheme was to coincide with a global producer scheme to limit aupply and force consumers to drawdown stocks.

The dissidents support the international export retention plan but do not accept the imposition of internal quotas on exporters.

Initially 36 exporters refused to sign the Brazilian plan, called Programa Cafe do Brasil. Now, bowever, there were 41 mamber firms, Mr Leite said.

Ten members of the new association, expected to be called the Brazilian Association of Coffee Exporters, have already handed in their resignations as board members of Febec.

Queensland mining royalties to rise

By Nikki Tait in Sydney

The Queensland state government yesterday unveiled plans for a new mining royalty regime, which could lead to substantielly higher payments for some companies.

According to Mr Tony McGrady, state minerala and energy minister, the increase should not be sufficient to affect production or investment decisions in Queensland. The state at present has several large projects either getting under way or in the final stages of feasibility studies, including CRA'a Century zinc project, and the development by MIM and Savage Resources of the Ernest Henry deposit.

Century said, however, that the changes could more than double its royalty costs and that it was "concerned about both the size of the impact and the implication of changing the ground-rules".

Under the new regime, base and precious metal mining companies would have the choice of paying a fixed 2.7 per cent royalty, or a varying rate, ranging from 1.5 per cent to 4.5 per cent depending on prevailing metal prices. There would then be substantial royalty discounts for companies undertaking downstream processing in Australia. Excluding MIM's Mount Isa mines, the current royalty is the greater of 2 per cent of gross sales proceeds or 5 per cent of profit (above threshold levels).

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1673-74	1708-9
Previous	1679.5-80.5	1713-14
High/low	1677/1675	1718/1701
AM Official	1400-10	1442-45
Kerb close		1700-1
Open Int.	224,862	
Total daily turnover	39,577	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1405-15	1448-50
Previous	1400-10	1443-45
High/low		1450/1445
AM Official	1400-10	1442-45
Kerb close		1445-50
Open int.	4,045	
Total daily turnover	1,387	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	761.5-63.5	734-35
Previous	765-67	734-35
High/low	758/758	740/725
AM Official	757-58	730-31
Kerb close		733-34
Open int.	32,208	
Total daily turnover	6,758	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	8480-90	8600-605
Previous	8625-35	8745-50
High/low	8500/8495	8740/8550
AM Official	8495-97	8630-40
Kerb close		8600-10
Open int.	44,263	
Total daily turnover	17,875	

■ TIN ($ per tonne)

	Cash	3 mths
Close	6415-25	6445-55
Previous	6390-400	6415-20
High/low		6470/6425
AM Official	6420-30	6450-60
Kerb close		6445-55
Open int.	18,127	
Total daily turnover	8,048	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1039-40	1063-64
Previous	1033.5-34.5	1057-58
High/low	1038/1037	1071/1058
AM Official	1037-37.5	1061-62
Kerb close		1061-2
Open int.	81,559	
Total daily turnover	34,503	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2985-88	2752-53
Previous	2985-90	2751-53
High/low	2995/2965	2763/2740
AM Official	2966-67	2753-55
Kerb close		2746-47
Open int.	172,123	
Total daily turnover	48,290	

■ LME AM Official £/$ rate: 1.5585
LME Closing £/$ rate: 1.5610

Spot: 1.5605 3 mths: 1.5477 6 mths: 1.5441 9 mths: 1.5406

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	138.45	+0.05	138.50	138.25	508	644
Dec	131.40	-0.05	131.50	129.90	4,086	15,595
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

PRECIOUS METALS

■ LONDON BULLION MARKET

[illegible]

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	384.7	+2.9	–	384.0	2	11
Dec	384.9	+2.8	385.6	382.9	55,080	40,819
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

[illegible]

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

[illegible]

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

[illegible]

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

[illegible]

■ CRUDE OIL IPE ($/barrel)

[illegible]

■ HEATING OIL NYMEX (42,000 US galls; c/US galls)

[illegible]

■ GAS OIL IPE ($/tonne)

[illegible]

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

[illegible]

■ UNLEADED GASOLINE NYMEX (42,000 US galls; c/US galls)

[illegible]

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	128.15	-1.05	127.00	128.25	82	2,181
Mar	128.15	-1.10	129.00	128.25	33	2,401
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

[illegible]

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

[illegible]

■ BARLEY LCE (£ per tonne)

[illegible]

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

[illegible]

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

[illegible]

■ SOYABEAN MEAL CBT (100 tons; $/ton)

[illegible]

■ POTATOES LCE (£/tonne)

[illegible]

■ FREIGHT (BIFFEX) LCE ($10/index point)

[illegible]

	Close	Prev
BFI	1699	1707

FUTURES DATA
All futures data supplied by CMS.

Tea
There was strong, active demand last week reports the Tea Brokers' Association. Better Assams were fully firm to dearer, with plainer sorts slightly easier. Brightest Burundis and Kenyas were keenly competed for, showing substantial gains and coloury mediums were generally fully firm. The few Ceylons on offer met strong competition and gained 20-30p or more. Offshore: good demand at firm to dearer rates. Quotations: best available: 196p-242p/kg, good: 145p-173p/kg, good medium: 118p-135p/kg, medium: 88p-115p/kg, low medium 78p-85p/kg, highest price realised this week was 242p for a burundi pf.1.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	889	-27	918	890	2,983	7,392
Mar	935	-19	958	929	4,725	35,092
May	955	-18	975	954	925	14,999
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ COCOA CSCE (10 tonnes; $/tonnes)

[illegible]

■ COCOA (ICCO) (SDR's/tonne)

[illegible]

■ COFFEE LCE ($/tonne)

[illegible]

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

[illegible]

■ COFFEE (ICO) (US cents/pound)

[illegible]

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

[illegible]

■ WHITE SUGAR LCE ($/tonne)

[illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

[illegible]

■ COTTON NYCE (50,000lbs; cents/lbs)

[illegible]

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

[illegible]

VOLUME DATA
Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

[illegible]

■ CRB Futures (Base: 1967=100)

[illegible]

■ GSCI Spot (Base: 1970=100)

[illegible]

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	67.425	-0.050	67.650	67.300	2,656	18,808
Feb	67.800	+0.200	67.800	67.300	2,918	25,189
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ LIVE HOGS CME (40,000lbs; cents/lbs)

[illegible]

■ PORK BELLIES CME (40,000lbs; cents/lbs)

[illegible]

LONDON TRADED OPTIONS

[illegible]

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Jan)

[illegible]

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

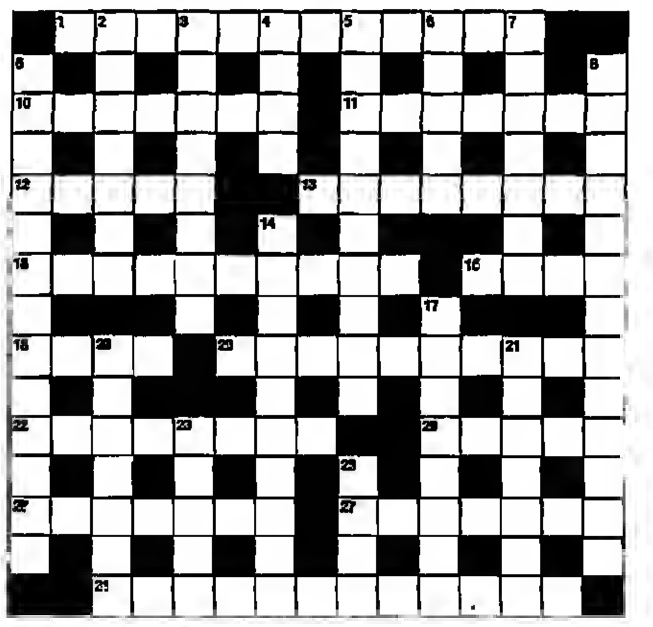
[illegible]

■ OTHER

[illegible]

CROSSWORD

No.8,930 Set by ARMONIE



ACROSS

1 In a strong position against leading coach company (2,4,6)
10 I'd lit my fuse with apprehension (7)
11 Consideration is rejected in this store (7)
12 Part of the Peru rally occurs in the country (5)
13 It's compelling to analyse crevice, but there's nothing in it (5)
15 Around noon, in church, a log will catch fire (10)
18 Communist is wrong to turn back (4)
18 Fight for breath while the doctor comes round (4)
20 Asks for e lift from the gang? That could be painful! (10)
22 Raging tiger can be responding to a stimulus (8)
24 To discharge slowly into the river is acceptable, Penny (5)
26 The pirate shows an offensive manner, they say (7)
27 Tracery found in the French garret (7)
28 Traditional ceremony producing satisfactory fertiliser (4,8)

DOWN

2 Of the type of character to make mice run about (7)
3 It's popular to perform – fast or slow (8)
4 A county in Virginia? (4)
5 Do a ram-raid badly and it's broadcast on the air (5,5)
6 Superior meal has no starter (5)
7 A vagrant carries one brief (7)
8 Opening, quietly, the sort of paper that gives the betting (8,5)
9 Saint'a to carry ash, say, and cry-baby is the one to clean up (6,7)
14 It's needed for the cast to climb into tree and perch (7,3)
17 A call for belp about the most suitable material for resisting heat (8)
19 During broadcast Catherine gets the bird (7)
21 Island for a get-together (6)
23 Follow the Northern Line (5)
25 What's this? Sovereign's about to give a nod (4)

Solution to Saturday's prize puzzle on Saturday December 9.
Solution to yesterday's prize puzzle on Monday December 11.

JOTTER PAD

Prices boosted by German rate cut speculation

By Richard Lapper and Antonia Sharpe in London, and Lisa Bransten in New York

International bond markets enjoyed another good day yesterday amid mounting speculation that the Bundesbank will move later this week to cut interest rates.

Fresh German economic data provided further signs that inflationary pressures are easing and the strength of the dollar buoyed European currencies against the D-Mark, providing a fillip for the high yielding markets.

"Germany is providing the window – the dollar is opening the door," said Mr Graham McDevitt, global bond strategist at Banque Paribas.

■ News of a larger than expected fall in German import prices gave the market a good start yesterday, and bunds later extended their gains in the wake of unchanged cost of living figures from Bavaria.

Rate cut talk then drove the market up further, with the December 10-year bond contract at Liffe touching a high of 98.50, before settling at 98.42.

"Speculation has been getting quite acute for a rate cut on Thursday [at the Bundesbank Council meeting]", said Mr Graham McDevitt of Banque Paribas.

Reporting a big increase in enquiries from investors, Mr McDevitt said: "A lot of people have missed the boat on this rally. They were sitting the year out but now more and more of them are looking to get involved. This rally is going further than people thought," he said.

■ UK government bonds were helped by Germany and the strength of sterling, but the decisive factor in the gains made were positive expectations about today's budget. Analysts expect the chancellor to deliver a relatively tight fiscal package allowing the government to ease monetary policy, with many expecting a cut in interest rates next month.

The December long gilt continued its strong recent run, closing at $110\frac{1}{8}$, after touching a new contract high of $110\frac{7}{32}$. Short-dated paper also made strong gains, with yields on one-year paper down by 17 basis points and the December short sterling contract up 0.06 to close at 93.54.

GOVERNMENT BONDS

The big question for the markets is how much good news is discounted in prices. Mr Simon Briscoe, chief UK economist at Nikko Europe, argues that the market still has to come to terms with lower inflationary expectations and with longer-term changes in the character of economic policy-making.

"Policy is not dictated by politics in the way it used to be," said Mr Briscoe, arguing that on a "one-month to three-month horizon the market has further to go".

■ Elsewhere in Europe, the highlight was another strong performance by the high-yielders, with Spanish, Swedish and Italian bonds all making headway on the back of currency strength.

Sweden again performed well, with the 10-year yield spread over German bunds contracting by 7 basis points to 249 points. Spain's 10-year yield spread over Germany narrowed by six basis point to 388, while on the same measure Italy came in by 14 basis points to 523 points.

The Italian market was also helped by the Treasury's successful operation to retire L3,000bn of short-dated debt. It said it intended to resume bond buy-back operations "relatively soon", following yesterday's well-received debut.

The Treasury aims to buy back bonds below the levels at which it issued them. It would also concentrate on areas of the yield curve where bonds were seen to be distorted or misaligned and on issues maturing in the usually heavy months of January and March.

Yesterday the December 10-year bond futures contract rose by more than a point – even though the amount of bonds bought back was tiny compared with Italy's L1,900,000bn worth of outstanding government bonds.

"Although the sums involved are small, the market approves of the government using privatisation proceeds to pay off debt liabilities," said Mr Julian Jessop, international economist at HSBC Markets.

■ German rate cut speculation and signs of weakness to the US economy also sent Treasury prices higher to early trading.

Near midday, the benchmark 30-year Treasury was up $\frac{1}{8}$ at $107\frac{5}{8}$ to yield 6.229 per cent. At the short end of the maturity spectrum, the two-year note was $\frac{1}{32}$ stronger at $100\frac{1}{8}$, yielding 5.449 per cent.

Both anecdotal evidence and new data supported the belief that the US economy was slowing. Press reports indicated that sales were weak last weekend – traditionally the start of the holiday shopping season in which stores make about 40 per cent of their annual sales.

Meanwhile, the National Association of Realtors said existing home sales slipped by 1.9 per cent to 4.1m in October after a series of sharp gains in the summer and early autumn. Economists had expected home sales to have held steady at about 4.2m.

Discussion of German monetary policy also boosted the dollar against the D-Mark. In early trading, the US currency was changing hands at DM1.4370 compared with DM1.4194 late on Friday. The dollar also gained against the yen, rising to Y101.75 from Y101.52.

Terms emerge for Granada facility

By Conner Middelmann

Details of Granada's £2.5bn three-year revolving credit facility to finance part of its £3.28bn hostile bid for hotel group Forte have emerged.

Although the arranging banks – ABN Amro Bank, Barclays Bank and Chemical Bank – declined to comment on the terms, other bankers said the UK television and leisure group would be paying an interest margin of 37.5 basis points over the London inter-bank offered rate (Libor).

SYNDICATED LOANS

The commitment fee will be 15 basis points before the bid is declared unconditional; after that, it would rise to 20 basis points, dealers said.

The interest margin is significantly above the 18.75 basis point spread Granada is paying on a £630m facility it arranged earlier this year.

Acquisition-related financings tend to command higher interest rates than plain-vanilla corporate credit facilities, especially when they back a hostile bid.

Meanwhile, the UK government's decision last week to refer agreed takeover bids for two regional electricity companies to the Monopolies and Mergers Commission has led National Power and PowerGen to rethink the jumbo loans they had arranged to help finance the deals. An MMC decision is not expected before next March.

National Power's £2.5bn credit lapsed as a result of the referral; it had been launched into general syndication last Wednesday. The loan, priced at 12.5 basis points over Libor, had been arranged by NatWest Markets and Chemical Bank.

PowerGen is still debating what to do with its £2.55bn facility, which consists of a £800m tranche to cover working capital needs and a £1.75bn tranche to finance the acquisition of Midland Electricity. The loan has been fully syndicated, so if PowerGen pulled it, the company would lose a portion of the fees it has already paid to banks.

Colombia D-Mark deal smaller and more generous than forecast

By Conner Middelmann and Antonia Sharpe

The Republic of Colombia's long-awaited D-Mark debut materialised yesterday, but it was smaller and more generously priced than expected.

Instead of the planned DM200m offering, Colombia issued only DM150m of five-year bonds.

The paper was priced to yield 200 basis points over the corresponding German government bond, well above the originally forecast spread of around 165 basis points, and the coupon was 7.25 per cent, higher than the projected 7 per cent.

Despite Colombia's painstaking efforts to differentiate itself from other Latin American credits, dealers said that investors demanded higher rewards for buying the republic's bonds.

The deal was not helped by the emergence of three Latin American issues in the D-Mark sector last week, all paying coupons of 10 per cent or more and with yield spreads of between 465 and 565 basis points over German government bonds.

INTERNATIONAL BONDS

Nevertheless, joint leads Deutsche Morgan Grenfell and SBC Warburg reported solid demand from institutional investors and also some retail buying.

The D-Mark sector also saw two floating-rate issues: DM300m of seven-year paper for SGZ-Bank via Merrill Lynch and Trinkaus & Burkhardt, and DM300m of notes for Grundkreditbank through DG Bank.

WestLB tapped the budding South African rand market again, with a R250m issue of five-year bonds which saw strong interest from German and Benelux retail investors, according to lead manager West Merchant Bank.

Fujitsu, the Japanese electronics manufacturer, issued the largest cum-warrant bond since 1993: $600m of five-year bonds.

"The market for equity-warrant issues is smaller than it was a few years ago, but investors are ready to take up good quality names," said a syndicate manager at lead manager Nikko Europe.

● Ireland's first securitisation of local authority mortgages is due to be launched next week. UBS has arranged the I£140m 10-year offering which is likely to be priced to yield about 20 to 25 basis points over Irish government bonds.

The proceeds of the deal, called Ulysses, will meet a compensation order made by the European Court to supplement social security payments dating back to the 1970s.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Fujitsu(a)◊	600	3.125	100.00	Dec.2000	2.25	-	Nikko Europe
Banco ABN Amro	95	8.75#	99.874R	Dec.1997	1.00R	+335(9½% 2yr)	ABN Amro Hoare Govett
ING Bank, Sao Paolo Branch(b)	50	(b1)#	99.802R	Dec.2008	1.00R	+340(9½% 2yr)	ING Barings
D-MARKS							
DePfa Bank(c,s)	1bn	5.25	101.56	Dec.2000	2.00	-	ByrHypo/ByrLB/Cmrz/DG Bk
SGZ-Bank Ireland‡	300	(d)	99.20	Dec.2002	0.20	-	Merrill/Trinkaus & Burkhardt
Grundkreditbank	300	(e)	100.03	Dec.2000	0.16	-	DG Bank
Republic of Colombia(j)	150	7.25	100.00R	Dec.2000	0.75R	+200(9½%-00)	Deutsche Morgan Grenfell
GUILDERS							
Nederlandse Waterschapsbank	250	6.00	99.81R	Jan.2000	0.225R	+10(i)	ABN Amro Hoare Govett
ITALIAN LIRE							
Telecom Argentina(f)	100bn	14.00	99.77R	Dec.1997	0.625R	-	BCI/ JP Morgan Securities
SOUTH AFRICAN RAND							
WestLB Finance Curaçao	250	14.00	100.00R	Dec.2000	0.125R	-	West Merchant Bank
IRISH POUNDS							
European Investment Bank	45	7.00	101.711	Dec.2000	1.875	-	Kredietbank

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ◊With equity warrants. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Fixing: 4/12/95. b) Callable & puttable on 5/12/97 & 99 at 100.06% and par respectively. b1) 6¾% to 5/12/97, then 9¼% to 5/12/99 and 9¾% thereafter. c) Oeffentliche pfandbrief. DM1bn launched 17/11/95 was increased to DM2bn. d) 3-mth Libor flat. e) 3-mth Libor +15bp. f) L300bn launched 16/11/95 was increased to L400bn. i) Over interpolated yield. j) Long 1st coupon. s) Short 1st coupon.

UBS seen as front-runner for Irish Treasury role

By Antonia Sharpe

The Irish National Treasury Management Agency is to appoint a new liability management adviser for its I£30bn of debt. J.P. Morgan has held the position since the agency was set up five years ago.

Mr Paul Sullivan, a director of the NTMA, said it had decided to re-submit the contract for tender in view of the considerable advancement in banks' debt-liability skills in recent years.

About eight banks, including J.P. Morgan, HSBC, Lehman Brothers, Merrill Lynch and UBS, were asked to tender. It is believed that UBS is the favourite to be awarded the contract. A decision is likely to be announced by mid-December and the contract will start at the beginning of next year.

Mr Sullivan said the winner would be required to advise the NTMA on the appropriate mix of currencies, the maturity structure and the interest duration of its debt portfolio, as well as market risk.

It would create a benchmark for Ireland's domestic and foreign debt liabilities and provide software to show where the NTMA stood against it.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		7.500	07/05	95.2000	+0.770	8.23	8.43	8.35
Austria		6.500	11/05	96.9000	+0.370	6.65	6.78	6.97
Belgium		6.500	03/05	98.6700	+0.450	6.69	6.83	7.05
Canada *		8.750	12/05	110.0900	+0.260	7.31	7.55	7.61
Denmark		7.000	12/04	97.8000	+0.480	7.34	7.56	7.85
France	BTAN	7.750	04/00	106.7200	+0.340	5.93	6.15	6.86
	OAT	7.750	10/05	106.5200	+0.540	6.83	7.02	7.51
Germany Bund		6.500	10/05	102.1700	+0.410	6.20	6.35	6.52
Ireland		6.250	10/04	92.0000	+0.650	7.51	7.77	8.21
Italy		10.500	09/05	96.4300	+0.860	11.10†	11.34	11.50
Japan	No 129	6.400	03/00	120.7250	-0.140	1.30	1.40	1.53
	No 174	4.600	09/04	113.7860	-0.090	2.67	2.78	2.80
Netherlands		6.750	11/05	103.8000	+0.440	6.22	6.38	6.57
Portugal		11.875	02/05	106.1500	+0.800	10.28	10.70	11.22
Spain		10.150	01/06	98.1600	+0.740	10.18	10.57	10.82
Sweden		6.000	02/05	83.4120	+0.720	8.69	8.88	9.22
UK Gilts		8.000	12/00	104-15	+14/32	6.93	7.16	7.55
		8.500	12/05	106-22	+22/32	7.53	7.77	8.10
		9.000	10/08	110-21	+24/32	7.68	7.89	8.21
US Treasury *		5.875	11/05	99-28	+7/32	5.89	5.93	5.97
		6.875	08/25	108-21	+11/32	6.23	6.25	6.31
ECU (French Govt)		7.500	04/05	102.8200	+0.530	7.07	7.40	7.74

London closing. *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	4.86	Two year	5.47
Prime rate	8¾	Two month	5.20	Three year	5.52
Broker loan rate	7½	Three month	5.49	Five year	5.67
Fed.funds	5⅞	Six month	5.48	10-year	5.89
Fed.funds at intervention	·	One year	5.41	30-year	6.23

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	119.70	119.98	+0.40	120.02	119.68	93,933	112,535
Mar	118.82	119.04	+0.38	119.18	118.70	3,648	15,182
Jun	119.06	119.30	+0.40	119.30	119.06	127	3,404

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Dec	Calls Mar	Calls Jun	Puts Dec	Puts Mar	Puts Jun
116	-	3.33	-	-	0.35	-
117	2.95	2.60	-	0.01	0.56	-
118	1.99	1.83	1.89	0.03	0.83	-
119	0.97	1.28	-	0.32	1.27	-
120	0.26	0.82	-	-	-	-

Est. vol. total, Calls 76,721 Puts 8,357. Previous day's open int., Calls 173,869 Puts 202,961.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	98.17	98.42	+0.40	98.50	98.12	101763	156689
Mar	97.87	97.84	+0.41	97.90	97.55	17714	58151

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Jan	Calls Feb	Calls Mar	Calls Jun	Puts Jan	Puts Feb	Puts Mar	Puts Jun
9700	0.72	1.01	1.22	1.31	0.29	0.58	0.79	1.48
9750	0.43	0.73	0.95	1.09	0.50	0.80	1.02	1.78
9800	0.23	0.51	0.71	0.89	0.80	1.08	1.28	2.06

Est. vol. total, Calls 24193 Puts 13846. Previous day's open int., Calls 113207 Puts 93642

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	104.14	104.81	+0.97	105.12	104.14	36139	35573
Mar	103.92	104.43	+0.96	104.56	103.90	1792	5805

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
10300	2.12	2.67	1.85	2.70
10350	1.86	2.43	1.89	2.96
10400	1.83	2.21	2.18	3.24

Est. vol. total, Calls 3917 Puts 3382. Previous day's open int., Calls 10266 Puts 8065

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	92.40	92.77	+0.61	92.98	92.22	57,008	36,948
Mar	92.26	92.35	+0.81	92.75	92.26	1,114	4,592

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	109-17	110-03	+0-24	110-07	109-17	48653	101783
Mar	109-00	109-17	+0-25	109-22	109-00	21998	13666

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Jan	Calls Feb	Calls Mar	Calls Jun	Puts Jan	Puts Feb	Puts Mar	Puts Jun
108	1-24	1-54	2-07	2-18	0-40	1-06	1-23	2-06
109	0-53	1-19	1-36	1-52	1-05	1-35	1-52	2-40
110	0-28	0-57	1-09	1-27	1-44	2-09	2-25	3-15

Est. vol. total, Calls 2246 Puts 3385. Previous day's open int., Calls 14061 Puts 12986

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	90.40	90.72	+0.90	90.78	90.40	2,797	10,335
Mar	89.52	89.64	-	89.52	89.52	1	-

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	117-28	118-09	+0-13	118-11	117-27	76,279	287,591
Mar	117-17	118-00	+0-13	118-01	117-17	14,169	131,952
Jun	117-05	117-12	+0-08	117-17	117-05	178	13,523

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Dec	123.29			123.30	123.15	1022	0
Mar	121.90			121.93	121.75	2173	0

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Mon Nov 27	Day's change %	Fri Nov 24	Accrued interest	xd adj. ytd		Low coupon yield Nov 27	Nov 24	Yr. ago	Medium coupon yield Nov 27	Nov 24	Yr. ago	High coupon yield Nov 27	Nov 24	Yr. ago
1 Up to 5 years (22)	123.15	+0.14	122.98	2.20	9.72	5 yrs	7.04	7.11	8.31	7.04	7.11	8.37	7.12	7.19	8.51
2 5-15 years (22)	148.09	+0.48	148.38	1.48	11.73	15 yrs	7.69	7.77	8.30	7.74	7.81	8.41	7.82	7.89	8.68
3 Over 15 years (8)	167.45	+0.80	166.11	2.81	12.13	20 yrs	7.75	7.83	8.28	7.78	7.86	8.41	7.85	7.92	8.59
4 Irredeemables (6)	190.42	+0.61	189.27	1.11	13.47	Irred.†	7.89	7.94	8.37						
5 All stocks (58)	144.52	+0.44	143.89	1.93	11.18										

Index-linked							Inflation 5% Nov 27	Nov 24	Yr. ago	Inflation 10% Nov 27	Nov 24	Yr. ago
6 Up to 5 years (1)	194.87	+0.12	194.62	0.78	8.87	Up to 5 yrs	2.75	2.79	3.77	1.57	1.61	2.56
7 Over 5 years (11)	189.02	+0.28	188.49	1.26	4.45	Over 5 yrs	3.32	3.54	3.81	3.32	3.34	3.82
8 All stocks (12)	189.02	+0.28	188.49	1.25	4.54							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Nov 27	Nov 24	Nov 23	Nov 22	Nov 21	Yr ago	High*	Low*
Govt. Secs. (UK)	95.44	95.14	95.01	94.73	94.73	92.46	95.51	90.22
Fixed Interest	113.58	113.90	113.66	113.33	113.31	108.89	114.68	108.77

* for 1995. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Nov 24	Nov 23	Nov 22	Nov 21	Nov 20
Gilt Edged bargains	97.5	86.8	93.9	91.0	88.0
5-day average	91.4	91.5	96.0	93.0	96.8

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on November 27

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 5 97	1500	95⅛	95⅜		8.77
Abbey Natl Treasury 6½ 03	1500	100½	100⅝	+⅛	6.41
ABN Ambro Bank 7¼ 00	1000	104⅜	100	+⅛	6.66
African Dev Bk 7¾ 23	500	103⅞	104⅜	+¼	7.05
Alberta Province 7⅝ 98	1000	104⅝	105	+⅛	5.82
Austria 8½ 00	400	109	109¼	+⅛	5.88
Baden-Wuertt L-Fin 8½ 00	1500	107⅞	107⅞	+⅛	5.99
Bank Ned Gemeenten 7 99	1000	103⅝	103¾	+⅛	5.88
[illegible]					
Sweden 6 97	2500	107	107⅛	+⅛	4.18
United Kingdom 7⅛ 97	5500	105½	105⅝		4.08
Volkswagen Intl Fin 7 00	1000	103½	103¾	+⅛	6.39
World Bank 0 15	2000	27⅝	27⅞	+⅛	8.60
World Bank 5⅞ 03	3000	98⅝	98¾	+⅛	6.18
SWISS FRANC STRAIGHTS					
Asian Dev Bank 6 16	500	39¼	39½	+¼	4.74
Austria 4½ 00	1000	105⅝	106⅛		2.90
[illegible]					
Abbey Natl Treasury 8 03 £	1000	100⅞	100⅝	+⅛	7.82
Alliance Leics 11⅞ 97 £	100	106¼	106½	+⅛	6.54
British Land 8⅞ 23 £	150	94¼	95½	+⅞	9.63
Denmark 6¾ 08 £	800	93⅝	93¾	+⅛	6.89
EIB 9 08 £	1800	101¾	102	+⅛	7.87
Halifax 10⅜ 97 £	100	104⅜	104¾	+⅛	6.61
Hanson 10⅜ 97 £	500	105⅞	106⅛		6.95
HSBC Holdings 11.69 02 £	153	116⅝	117⅛	+⅛	8.32
[illegible]					

UK GILTS PRICES

	Notes	Yield Int	Yield Red	Price £	+ or -	1995 High	1995 Low
Shorts" (Lives up to Five Years)							
Treas 14pc 1996		13.85	6.39	101$\frac{1}{32}$	-	106⅝	101$\frac{1}{32}$
15¼pc 1996‡‡		14.69	6.28	103$\frac{27}{32}$	-	109⅝	103$\frac{27}{32}$
Exch 13¼pc 1996‡‡		12.84	6.75	103$\frac{3}{16}$	-	107¼	103$\frac{3}{16}$
Conversion 10pc 1996		9.68	6.18	103½	-	104$\frac{25}{32}$	103$\frac{3}{16}$
Treas 13¼pc 1997‡‡		12.31	6.17	107$\frac{21}{32}$	-	109$\frac{23}{32}$	107$\frac{15}{32}$
[illegible]							
Treas 12½pc 2003-5		9.04	7.49	129⅛			
Treas 8½pc 2005‡‡		7.97	7.53	106⅝xd			
7½pc 2006‡‡		7.53	7.54	99⅝xd			
7¾pc 2006‡‡		7.58	7.61	100			
8pc 2002-6‡‡		7.78	7.58	102⅞			
Treas 11¾pc 2003-7		9.53	7.44	123⅛			
[illegible]							

CURRENCIES AND MONEY

MARKETS REPORT

Dollar rallies on talk of fall in German rates

By Philip Gawith

The dollar yesterday rallied sharply on intensified speculation of a cut in German interest rates when the Bundesbank council meets on Thursday.

Equity, bond and currency markets were all buoyed by these rumours, which helped the dollar rise two pfennigs on the day to a seven week high of DM1.4375. It later closed in London at DM1.4358, from DM1.4165 on Friday. Against the yen it closed at Y101.91, from Y101.345.

The main loser was the D-Mark, which lost ground across the board. The most significant beneficiary was the Swedish krona, which continued the rally that has seen it rise by around 16 per cent on a trade weighted basis since hitting a low in April this year.

Apart from generalised D-Mark weakness, the krona benefited yesterday from a Swedish newspaper report which suggested that the finance ministry was pursuing a secret target of SKr4.30 against the D-Mark as a central parity for re-entry into the European exchange rate mechanism.

The krona closed in London at SKr4.553, from SKr4.595.

Sterling had a steady day in the run-up to the budget today, with losses against the dollar more than offset by gains against the D-Mark. Against the dollar it finished at $1.5517, from $1.5608, while against the D-Mark it closed at DM2.2279 from DM2.2108.

■ There was broad consensus that the dollar was driven higher by heightened expectations of a cut in German interest rates, though less agreement as to why the foreign exchanges had taken so long to cotton on to what bond markets had known for some time.

"In a market where volumes remain thin, interest rate hopes have been sufficient to push the dollar higher," said Mr Neil MacKinnon, chief economist at Citibank in London.

He said German fundamentals, in the form of M3 money supply growth, low inflation and signs of faltering growth, favoured a rate cut, but cautioned that "the Bundesbank has a good track record on wrong-footing tha market." There was scepticism among market professionals as to how much attention should be paid to a dollar rally that had taken place on low volumes amid thin trading conditions. Many observers believe no durabla rally is possible until a budget deal in the US is agreed.

The technical picture, however, holds out some hope. Mr Brian Marber, an independent analyst based in London, reckons that "tha impasse is about to end." He said that a close in London above DM1.4282, the case yesterday, would confirm the "head and shoulders" pattern, which is a classic reversal pattern.

Mr Marber believes the dollar made a major low in early March, "and will eventually reach DM1.70 or higher." He said the current chart formation "is a bottom for the dollar, not a rally gone wrong."

A corollary of this judgment is that the dollar is also on the point of commencing a strong rally against sterling. This, said Mr Marber, could be inferred from the recent breakdown in the relationship between D-Mark/£ and D-Mark/$.

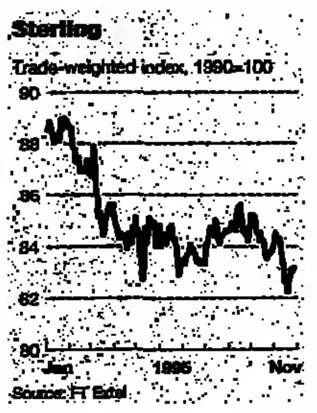
■ Market reaction to the Swedish otory was that while SKr4.30 against the D-Mark might be achievable in the short term, it was unlikely to be prove sustainable. Mr James McKay, international economist at PaineWebber in London, said his analysis of the competitive position of Swedish industry indicated that SKr4.50 was a more appropriate level, especially considering tha pressure Europe's "high-yielding" currencies were likely to experience once German interest rates started to rise again, probably in 1997.

Mr McKay said the krona's rally, especially since September, had been fuelled by a "fundamental reappraisal of the policy credibility of the central bank and government. Fiscal policy, for example, has tightened by eight per cent of GDP over the past three years, while real short term interest rates are well above those in other high-yielding countries, like Spain and Italy.

■ The Bank of England provided £635m assistance towards clearing a £650m market shortage. Three month LIBOR eased further to $6\frac{7}{16}$ per cent, while futures prices rose across the board. The June 1996short sterling contract is discounting an interest rate of 6.17 per cent.

Sterling

Trade-weighted index, 1990=100



Source: FT Extel

■ **Pound in New York**

Nov 27	Latest	Prev. close
£ spot	1.5495	1.5607
1 mth	1.5484	1.5595
3 mth	1.5470	1.5578
1 yr	1.5380	1.5483

■ **OTHER CURRENCIES**

Nov 27	£	$
Czech Rp	41.1181 - 41.1568	26.5030 - 26.5130
Hungary	207.455 - 207.640	133.730 - 133.780
Iran	4656.30 - 4653.90	3000.00 - 3000.00
Kuwait	0.4654 - 0.4661	0.3000 - 0.3003
Poland	3.8759 - 3.8834	2.4985 - 2.5020
Russia	7116.38 - 7115.81	4585.00 - 4587.00
U.A.E.	5.6978 - 5.7010	3.6729 - 3.6731

POUND SPOT FORWARD AGAINST THE POUND

Nov 27		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. index
Europe													
Austria	(Sch)	15.6770	+0.1212	680 - 860	15.7064	15.6300	15.6488	2.3	15.588	2.0	-	-	108.8
Belgium	(BFr)	45.7907	+0.3246	478 - 335	45.8490	45.3780	45.6857	2.8	45.4807	2.6	44.7057	2.4	109.0
Denmark	(DKr)	8.6228	+0.061	182 - 273	8.6418	8.5578	8.6161	1.1	8.5986	1.1	8.5361	1.0	109.3
Finland	(FM)	6.6111	+0.0194	043 - 178	6.6250	6.5740	6.6067	0.8	6.5987	0.8	-	-	88.4
France	(FFr)	7.6418	+0.0373	386 - 449	7.6557	7.5991	7.6384	0.5	7.6507	-0.5	7.6474	-0.1	110.6
Germany	(DM)	2.2279	+0.0171	267 - 291	2.2329	2.2088	2.2231	2.6	2.2134	2.6	2.1722	2.5	111.3
Greece	(Dr)	364.634	+0.101	462 - 806	367.521	363.843	-	-	-	-	-	-	67.1
Ireland	(I£)	0.9684	-	675 - 692	0.9695	0.9675	0.9676	1.0	0.9663	0.8	0.9631	0.6	97.7
Italy	(L)	2476.59	-11.01	525 - 793	2486.96	2475.25	2483.94	-3.5	2498.74	-3.6	2566.89	-3.6	70.6
Luxembourg	(LFr)	45.7907	+0.3246	478 - 335	45.8490	45.3780	45.6857	2.8	45.4807	2.8	44.7057	2.4	109.0
Netherlands	(Fl)	2.4947	+0.0198	932 - 961	2.5014	2.4724	2.489	2.7	2.4778	2.7	2.4321	2.5	109.0
Norway	(NKr)	9.8122	+0.0511	058 - 186	9.9743	9.7408	9.7998	1.5	9.778	1.4	9.7025	1.1	98.1
Portugal	(Es)	232.196	+0.885	059 - 334	232.720	229.677	232.736	-2.8	233.956	-3.0	-	-	95.4
Spain	(Pta)	189.595	+0.317	507 - 682	189.732	188.541	190.095	-3.2	191.035	-3.0	195.435	-3.1	81.9
Sweden	(SKr)	10.1427	-0.0141	326 - 528	10.1744	10.0271	10.1449	-0.3	10.1494	-0.3	10.1728	-0.3	88.3
Switzerland	(SFr)	1.7948	+0.0136	938 - 958	1.7977	1.7808	1.7877	4.7	1.7758	4.2	1.7229	4.0	115.9
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	83.2
Ecu	-	1.2024	+0.0018	016 - 032	1.2075	1.1985	1.2014	1.0	1.1998	1.0	1.1909	1.0	-
SDR†	-	1.042900	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5515	-0.0091	510 - 518	1.5601	1.5510	-	-	-	-	-	-	-
Brazil	(R$)	1.4963	-0.0093	956 - 970	1.5057	1.4955	-	-	-	-	-	-	-
Canada	(C$)	2.0980	-0.0154	870 - 989	2.1126	2.0970	2.0991	-0.6	2.1011	-0.6	2.1049	-0.3	84.8
Mexico	(New Peso)	11.8861	-0.097	597 - 124	11.9363	11.8597	-	-	-	-	-	-	-
USA	($)	1.5517	-0.0091	513 - 521	1.5603	1.5513	1.5506	0.9	1.5491	0.7	1.5402	0.7	93.5
Pacific/Middle East/Africa													
Australia	(A$)	2.0962	-0.0192	949 - 974	2.1092	2.0949	2.0975	-0.7	2.1004	-0.9	2.1151	-0.9	85.2
Hong Kong	(HK$)	12.0032	-0.0688	993 - 070	12.0894	11.9993	11.9997	0.3	11.9872	0.5	11.9536	0.4	-
India	(Rs)	54.1777	-0.224	404 - 140	54.4670	54.1404	-	-	-	-	-	-	-
Israel	(Shk)	4.7778	-0.0195	726 - 830	4.8115	4.7430	-	-	-	-	-	-	-
Japan	(Y)	158.134	-0.045	081 - 287	158.590	157.810	157.274	6.5	155.479	6.7	148.434	6.1	141.4
Malaysia	(M$)	3.9456	-0.0221	437 - 473	3.9660	3.9437	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.3838	-0.0114	822 - 853	2.3949	2.3822	2.3897	-3.0	2.399	-2.5	2.4246	-1.7	100.8
Philippines	(Peso)	40.6390	-0.2618	130 - 650	40.8650	40.6130	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.8197	-0.0344	178 - 215	5.8518	5.8178	-	-	-	-	-	-	-
Singapore	(S$)	2.1917	-0.0139	903 - 930	2.2038	2.1903	-	-	-	-	-	-	-
South Africa	(R)	5.6773	-0.0258	747 - 798	5.7076	5.6747	-	-	-	-	-	-	-
South Korea	(Won)	1193.18	-6.84	279 - 356	1199.71	1193.26	-	-	-	-	-	-	-
Taiwan	(T$)	42.3777	-0.2378	629 - 925	42.6087	42.3629	-	-	-	-	-	-	-
Thailand	(Bt)	39.0408	-0.1931	152 - 664	39.2210	39.0152	-	-	-	-	-	-	-

† Rates for Nov 22. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Nov 27		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan index
Europe													
Austria	(Sch)	10.1031	+0.1365	999 - 063	10.1110	9.9760	10.088	1.8	10.0579	1.8	9.9496	1.5	106.8
Belgium	(BFr)	29.5100	+0.38	900 - 300	29.5380	29.1450	29.469	1.7	29.39	1.6	29.09	1.4	108.9
Denmark	(DKr)	5.5570	+0.0715	555 - 585	5.5630	5.4902	5.5578	-0.2	5.5535	0.3	5.563	-0.1	106.6
Finland	(FM)	4.2606	+0.0373	573 - 638	4.2648	4.2179	4.2602	0.1	4.2591	0.1	4.2546	0.1	87.7
France	(FFr)	4.9248	+0.0526	240 - 255	4.9334	4.8740	4.9234	0.3	4.922	0.2	4.9188	0.1	110.3
Germany	(DM)	1.4358	+0.0193	354 - 362	1.4375	1.4175	1.4338	1.7	1.4298	1.7	1.414	1.5	111.2
Greece	(Dr)	234.990	+1.435	940 - 040	236.370	233.530	236.715	-8.8	239.815	-8.4	253.39	-7.8	66.3
Ireland	(I£)	1.6025	-0.0093	015 - 034	1.6118	1.6015	1.6027	-0.1	1.6026	-0.1	1.6093	-0.4	-
Italy	(L)	1596.05	+2.25	560 - 650	1600.69	1591.20	1602.8	-5.1	1614.85	-4.7	1672.05	-4.8	69.5
Luxembourg	(LFr)	29.5100	+0.38	900 - 300	29.5380	29.1450	29.499	1.7	29.39	1.6	29.09	1.4	108.8
Netherlands	(Fl)	1.6077	+0.0214	072 - 082	1.6100	1.5873	1.605	2.0	1.5999	1.8	1.5799	1.7	108.8
Norway	(NKr)	6.3235	+0.0696	210 - 260	6.3590	6.2504	6.3197	0.7	6.3135	0.8	6.3035	0.3	97.7
Portugal	(Es)	149.640	+1.44	590 - 690	149.900	147.380	150.105	-3.7	151.115	-3.9	155.74	-4.1	95.6
Spain	(Pta)	122.185	+0.915	160 - 210	122.260	120.970	122.565	-3.7	123.335	-3.8	126.83	-3.8	81.4
Sweden	(SKr)	6.5365	+0.0291	317 - 413	6.5450	6.4328	6.554	-3.2	6.5905	-3.3	6.758	-3.4	97.3
Switzerland	(SFr)	1.1567	+0.0155	563 - 570	1.1582	1.1425	1.1531	3.7	1.147	3.4	1.1192	3.2	116.1
UK	(£)	1.5517	-0.0091	510 - 521	1.5603	1.5510	1.5506	0.8	1.5481	0.7	1.5402	0.7	82.6
Ecu	-	1.2905	-0.0095	900 - 910	1.2995	1.2850	1.2909	-0.4	1.2918	-0.3	1.2939	-0.0	-
SDR†	-	0.67210	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	-	998 - 999	1.0000	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	0.9643	-0.0004	640 - 645	0.9650	0.9640	-	-	-	-	-	-	-
Canada	(C$)	1.3521	-0.002	518 - 523	1.3540	1.3515	1.3538	-1.5	1.3568	-1.4	1.3691	-1.3	83.4
Mexico	(New Peso)	7.6600	-0.0175	450 - 750	7.6750	7.6450	7.6623	-0.4	7.6654	-0.3	7.6703	-0.1	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	94.1
Pacific/Middle East/Africa													
Australia	(A$)	1.3508	-0.0044	504 - 514	1.3514	1.3504	1.3526	-1.6	1.3562	-1.6	1.3759	-1.9	85.4
Hong Kong	(HK$)	7.7355	+0.001	350 - 360	7.7360	7.7350	7.737	-0.2	7.739	-0.2	7.7592	-0.3	-
India	(Rs)	34.9150	+0.06	000 - 300	34.9910	34.8000	35.065	-5.2	35.37	-5.2	36.94	-5.5	-
Israel	(Shk)	3.0791	+0.0055	765 - 816	3.0867	3.0443	-	-	-	-	-	-	-
Japan	(Y)	101.910	+0.565	870 - 950	101.950	101.300	101.415	5.8	100.495	5.6	96.82	5.2	141.8
Malaysia	(M$)	2.5427	+0.0007	422 - 432	2.5432	2.5408	2.5427	0.0	2.5431	-0.1	2.5507	-0.3	-
New Zealand	(NZ$)	1.5361	+0.0017	356 - 366	1.5368	1.5349	1.5402	-3.2	1.5477	-3.0	1.5724	-2.4	-
Philippines	(Peso)	26.1900	-0.015	800 - 000	26.2000	26.1800	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-0.0002	503 - 507	3.7507	3.7503	3.7511	-0.2	3.7518	-0.1	3.7551	-0.1	-
Singapore	(S$)	1.4124	-0.0003	119 - 129	1.4128	1.4115	1.409	2.9	1.4027	2.8	1.3779	2.4	-
South Africa	(R)	3.6588	+0.0048	580 - 595	3.6600	3.6555	3.6841	-8.3	3.7341	-8.2	3.9653	-8.4	-
South Korea	(Won)	768.950	+0.1	900 - 000	769.500	768.700	771.95	-4.7	775.45	-3.4	793.95	-3.3	-
Taiwan	(T$)	27.3105	+0.007	080 - 130	27.3140	27.3020	27.3305	-0.9	27.3705	-0.8	-	-	-
Thailand	(Bt)	25.1600	+0.023	500 - 700	25.1700	25.1390	25.2475	-4.2	24.895	4.2	26.115	-3.8	-

† SDR rate per $ for Nov 22. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Nov 22: Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

November 27	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.00	3.50	-
week ago	[illegible]	[illegible]	4	[illegible]	[illegible]	8.00	3.50	-
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.80	-	6.10
week ago	5½	[illegible]	5½	5½	5½	4.80	-	6.10
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.50	3.50	3.97
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.50	3.50	3.98
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.25
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.25
Italy	[illegible]	[illegible]	10½	10½	[illegible]	-	9.00	10.52
week ago	[illegible]	[illegible]	[illegible]	10½	10½	-	9.00	10.60
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	3.50	3.60
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	3.50	3.60
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.00	2.00	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.00	2.00	-
US	[illegible]	[illegible]	[illegible]	[illegible]	5½	-	5.25	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.25	-
Japan	[illegible]	[illegible]	[illegible]	½	[illegible]	-	0.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
US Dollar CDs	-	5.60	5.47	5.43	5.41	-	-	-
week ago	-	5.60	5.47	5.41	5.35	-	-	-
ECU Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
SDR Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Nov 27	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	$5\frac{1}{2}$ - $5\frac{1}{4}$	$5\frac{1}{8}$ - $4\frac{7}{8}$	[illegible]	[illegible]	$5\frac{1}{4}$ - 5	[illegible]
D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	7 - $6\frac{7}{8}$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible] - $2\frac{1}{2}$	[illegible]	[illegible]	$2\frac{1}{8}$ - 2	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible] - $5\frac{1}{2}$	[illegible]	[illegible]	[illegible]	[illegible] - $5\frac{1}{2}$	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible] - $\frac{1}{2}$
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible] - $2\frac{1}{2}$	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris Interbank offered rate (FFr5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.60	94.65	+0.10	94.68	94.59	28,717	43,392
Mar	94.84	94.85	+0.07	94.97	94.82	13,484	41,378
Jun	94.64	94.97	+0.03	95.00	94.94	6,856	37,901

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.12	96.12	+0.01	96.14	96.12	15713	127444
Mar	96.35	96.36	+0.01	96.38	96.35	17685	163111
Jun	96.41	96.40	-	96.43	96.39	18471	120305
Sep	96.31	96.32	+0.01	96.35	96.31	14270	104283

■ **THREE MONTH EUROLIRA FUTURES** (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	89.53	89.63	+0.14	89.67	89.52	6447	22354
Mar	89.83	89.94	+0.18	89.96	89.81	4018	31367
Jun	90.04	90.16	+0.15	90.14	90.04	795	16229
Sep	90.13	90.23	+0.14	90.22	90.13	494	9207

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	97.97	97.98	+0.02	97.99	97.97	1255	17946
Mar	98.24	98.26	+0.02	98.29	98.24	2242	26272
Jun	98.31	98.31	+0.04	98.33	98.28	724	9635
Sep	98.23	98.22	+0.02	98.24	98.22	325	5083

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.72	94.75	+0.07	94.75	94.72	978	6888
Mar	94.88	94.90	+0.06	94.90	94.87	1389	5485
Jun	94.98	94.98	+0.05	94.99	94.87	344	3780
Sep	94.92	94.94	+0.06	94.94	94.91	404	1795

* LIFFE futures also traded on APT

■ **EUROLIRA OPTIONS** (LIFFE) L1000m points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
8925	0.32	0.78	1.06	0.08	0.25	0.32
8950	0.15	0.62	0.91	0.18	0.34	0.40
8975	0.07	0.48	0.75	0.33	0.45	0.48

Est. vol. total, Calls 40 Puts 50. Previous day's open int., Calls 17917 Puts 6286

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Nov 27		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.83	16.68	4.864	2.114	5407	5.449	21.43	507.1	413.8	22.14	3.916	2.184	4.582	3.389	345.3	2.625
Denmark	(DKr)	53.11	10	8.863	2.583	1.123	2872	2.894	11.38	269.3	219.8	11.78	2.081	1.160	2.433	1.800	183.4	1.394
France	(FFr)	59.92	11.28	10	2.914	1.267	3240	3.265	12.84	303.8	248.0	13.27	2.348	1.309	2.745	2.031	206.9	1.573
Germany	(DM)	20.56	3.872	3.432	1	0.435	1112	1.120	4.406	104.3	85.09	4.553	0.806	0.449	0.942	0.697	70.99	0.540
Ireland	(I£)	47.30	8.907	7.895	2.301	1	2558	2.577	10.14	239.9	195.8	10.48	1.853	1.033	2.167	1.603	163.3	1.242
Italy	(L)	1.848	0.348	0.309	0.090	0.039	100.	0.101	0.396	9.378	7.653	0.410	0.072	0.040	0.085	0.063	6.385	0.049
Netherlands	(Fl)	18.35	3.456	3.063	0.893	0.388	992.4	1	3.933	93.07	75.95	4.064	0.718	0.401	0.841	0.622	63.37	0.482
Norway	(NKr)	46.67	8.787	7.788	2.270	0.987	2523	2.543	10	236.6	193.1	10.33	1.828	1.018	2.138	1.582	161.1	1.225
Portugal	(Es)	19.72	3.710	3.291	0.959	0.417	1066	1.075	4.226	100.	81.61	4.367	0.773	0.431	0.904	0.668	68.08	0.518
Spain	(Pta)	24.18	4.550	4.033	1.175	0.511	1307	1.317	5.179	122.5	100.	5.351	0.947	0.528	1.107	0.810	83.43	0.634
Sweden	(SKr)	45.18	8.503	7.536	2.196	0.955	2442	2.461	9.677	229.0	186.9	10	1.769	0.986	2.069	1.531	155.9	1.185
Switzerland	(SFr)	25.52	4.806	4.260	1.241	0.540	1380	1.391	5.469	129.4	105.6	5.652	1	0.557	1.169	0.865	88.10	0.670
UK	(£)	45.78	8.622	7.642	2.227	0.968	2476	2.495	9.812	232.2	189.5	10.14	1.794	1	2.098	1.552	158.1	1.202
Canada	(C$)	21.83	4.110	3.643	1.061	0.461	1180	1.189	4.677	110.7	90.32	4.833	0.855	0.477	1	0.740	75.36	0.573
US	($)	29.50	5.555	4.924	1.435	0.624	1595	1.608	6.322	149.6	122.1	6.534	1.156	0.644	1.352	1	101.9	0.774
Japan	(Y)	28.96	5.454	4.834	1.409	0.612	1566	1.578	6.206	146.9	119.8	6.414	1.135	0.633	1.327	0.982	100.	0.760
Ecu		38.09	7.173	6.358	1.853	0.805	2060	2.076	8.163	193.2	157.7	8.436	1.493	0.832	1.745	1.291	131.5	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.7051	0.6962	-0.0092	0.7059	0.6965	14,001	53,169
Mar	0.7058	0.6992	-0.0095	0.7058	0.6986	332	4,551
Jun	-	0.7160	-	-	0.7345	4	567

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.9884	0.9868	-0.0015	0.9906	0.9837	6,100	61,407
Mar	1.0014	0.9995	-0.0022	1.0015	0.9975	152	6,754
Jun	-	1.0220	-	-	-	4	435

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.8750	0.8644	-0.0109	0.8770	0.8638	5,657	34,460
Mar	0.8832	0.8722	-0.0112	0.8842	0.8720	164	2,427
Jun	0.8830	0.8805	-0.0112	0.8835	0.8805	8	505

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.5586	1.5480	-0.0098	1.5588	1.5484	2,264	46,807
Mar	1.5532	1.5480	-0.0084	1.5532	1.5460	51	901
Jun	-	1.5500	-0.0082	-	1.5500	2	10

INTEREST RATES

LONDON MONEY RATES

EMS EUROPEAN CURRENCY UNIT RATES

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

BASE LENDING RATES

BANKS, MERCHANT

		+ or	1995		Mkt	Yld	
Notes	Price	–	high	low	Cap£m	Gr's	P/E
Burlage 8pc Cn 2nd Pf	[illegible]	—	[illegible]	50¾	6.31	10.8	–
Cater Allen	[illegible]	-1	[illegible]	418	149.3	7.9	6.8
Close Bros	[illegible]	—	*340½	216¼	378.5	3.4	14.3
Gerrard & Nat.	[illegible]	—	[illegible]	395	221.8	6.2	14.7
Hambros	[illegible]	+2½	[illegible]	180	[illegible]	4.8	–
7½pc Cv Pf	91	—	112	94	126.0	9.7	–
Joseph (L)	[illegible]	—	[illegible]	353	24.5	4.8	20.0
King & Shaxson	119	+2	148	[illegible]	[illegible]	9.5	9.2
Rea Brothers	46	—	67	44	91.0	2.8	18.0
Schroders	1333	+27	*1478	906¼	2,812	1.3	18.8
N/V	1135	+32	*1180	823¾	[illegible]	1.8	18.2
Singer & Fried	110	—	110	61	218.4	4.2	11.4
8¼pc Cv Ln 08/14	[illegible]	—	£136	[illegible]	41.7	6.2	–
Union	111	—	121	70	29.5	3.4	–
Wintrust	275	-3	[illegible]	200	[illegible]	5.2	15.7

BANKS, RETAIL

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

HOUSEHOLD GOODS - Cont.

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

OTHER FINANCIAL - Cont.

OTHER SERVICES & BUSINESSES

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

SUPPORT SERVICES - Cont.

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

WATER

	Notes	Price	+ or -	1995 high	low	Mkt Cap£m	Yld Gr's	P/E
Anglian	✝♣†v☐	679xd	—	603	443	1,553	5.8	6.6
Bristol Water	✝v	1188	—	1103	1020	85.8	3.9	13.9
Cheam A	†v☐	555xd	-5	570	460	29.9	4.5	8.7
8 NV	†v☐	550xd	+2	553	445	13.2	4.3	8.6
Chester	†v	118	—	203	168	20.5	4.4	13.9
Dee Valley	†v	335	-3	368	335	32.8	4.5	13.2
East Surrey	✝†v☐	473xd	—	483	388	60.1	4.5	8.9
Hartlepool	†v	205xd	+2½	225	190	18.5	4.1	10.5
Mid Kent	✝v	358	—	388	285	81.8	4.4	8.7
North West	✝♣†v☐	690xd	-3	*641	467¼	3,180	6.6	7.6
Northumbrian	✝♣†v☐	1168xd	-1	1175	676	615.3	3.2	9.1
Severn Trent	✝♣v☐	668	+8	672	475	2,451	6.4	8.3
South Staffs	♣†v	2280xd	+3	2305	1855	134.6	3.9	13.3
South West	♣v☐	408	-4½	555	459	698.4	6.9	6.9
Southern	♣v☐	673	-2	731	617	1,146	4.8	8.1
Thames	♣†v☐	557xd	-1	575	456	2,244	6.6	7.8
Welsh	♣†nv☐	684	-5	*686	592¼	850.8	7.7	8.1
Cm Prf		108¾	+¼	108¾	138½	140.9	6.3	-
Wessex	v☐	343	-1	*361	256¼	734.4	4.8	8.6
Cm Prf		60½	—	61¼	49¾	158.6	-	-
York W'works	♣†v	350	—	385	323	25.8	4.8	10.8
Yorkshire	✝♣v☐	613	+4	677½	472	1,246	5.5	9.8

AIM

	Notes	Price	+ or -	1995 high	low	Mkt Cap£m	Yld Gr's	P/E
Alpha Omikron		25	—	22	11	11.2	-	-
AMCO Corp	v	104	—	104	89	14.8	5.4	11.4
Aqe Gracity	v	122	—	125	118	18.1	5.7	10.2
Abacus Recruitment	v	17	—	17	16	0.80	-	-
African Gold	♣v	6¾	-¼	7¼	5½	5.70	-	-
Albemarle & Bond	♣	14	—	14	11	-	-	-
Ann 10 Brewery	v	430	+16	435	400	81.2	5.1	11.8
Cv 2nd Prf		905	—	905	865	5.38	6.6	-
Antonov	v	80	+5	156	73	81.9	-	-
Ask Central	v	73	—	78	51	11.7	-	-
Barts	♣	17	—	*31½	15	4.37	-	-
Belcanto	v	40	—	48	46	4.12	-	-
Brancote	♣v	38	—	60	43	4.95	-	-
Brockbank	v	235	—	250	190	27.4	3.4	23.5
Cate Ions	♣v	115	—	122	38	3.21	2.2	9.5
Caledonian Trust	v	70	—	75	75	8.52	-	6.1
Card Clear	v	58	—	11	38	11.9	-	-
Cassidy Brothers	♣v	70	—	54	92	3.85	5.4	10.0
Canadian Wales Fml Am	v	41	—	45	41	1.79	-	20.8
CI Comms (TV)	†v	114	—	130	112	15.4	2.7	14.5
ClubPartners	v	31	—	33	31	13.1	-	-
Coalstar Trust	♣v	69	—	69	30	7.59	2.8	16.3
Country Gardens	♣v	31	—	80	53	10.9	2.8	18.6
10pc Cnv Prf		68	—	73	56	2.49	9.8	-
Cresc Intl		119	—	138	182	42.7	-	-
DBS Management	♣v	169xd	+3½	165	115	16.5	4.7	6.5
Dawson Hldgs	v	959	+5	979	480	38.3	4.2	11.9
Dean Corp	v	11	—	11	16	3.21	-	64.3
Electrophoretics	v	149	-2	170	80	98.5	-	-
Euro Sales Finance	v	125	—	135	120	5.82	-	-
Firecrest	♣v	168	-17	212	37	28.3	-	68.7
Financial Public	v	75	—	75	38	1.77	-	-
Floral Street	v	236	-½	253	165	5.53	-	12.9
Formscan	v	183	-5	140	50	12.5	1.9	ɸ
Furlong Homes	†v	81	—	31	86	4.65	3.3	4.9
Gaador	♣v	8½	—	10	5¾	24.9	-	72.5
Graduate Appts	v	338	—	38	18	3.55	-	36.6
Greenhills		18	—	75	19	5.70	-	-
Gaiso Group	†v	185	—	185	156	34.8	3.2	14.0

AIM - Cont.

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or -	1995 High	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£31¾	—	£34	£28	2,108	2.1	15.7
Barlow	♣	99½	-1/16	£8¾	£4¼	1,701	1.7	ɸ
Gold Flds Prop R		132xd	—	162	118	15.5	7.0	6.8
MK Props.		88	—	85	58	3.44	13.1	-
SASOL	♥	403	—	648	435	2,828	2.8	-
SA Brews		£21⅞xd	+⅛	£21⅞	£12¾	5,110	1.6	29.0
Standard Bank	☐	£22⅝	-⅛	£27½	£20¼	3,241	1.7	16.0
Tiger Oats		1110	+40	1118	700	1,670	1.7	ɸ
Tongaat-Hulett	†	887	—	887	636	808.4	2.2	17.0

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ☐ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- \- Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ɸ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v P/e ratios are calculated under new ACT guidelines.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xθ ex capital distribution.

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

BERMUDA (REGULATED)(**)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

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ISLE OF MAN (SIB RECOGNISED)

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ISLE OF MAN (REGULATED)(**)

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JERSEY (SIB RECOGNISED)

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JERSEY (REGULATED)(**)

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LUXEMBOURG (SIB RECOGNISED)

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LUXEMBOURG (REGULATED)(**)

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Citicorp Investment Mgmt (Luxembourg) SA

Merrill Lynch Asset Management - Contd.

Abtrust International Ltd

Royal Life International

Carnco Investment Management Ltd

Global Asset Management - Contd.

Magellan Emerging Markets Mngt (Jersey) Ltd

Republic Funds

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MANAGED FUNDS NOTES

LONDON STOCK EXCHANGE

MARKET REPORT

FT-SE 100 hits all-time high ahead of Budget

By Steve Thompson,
UK Stock Market Editor

The UK stock market brimmed with confidence after another scintillating performance fuelled by hopes of a market-friendly Budget today.

Dealers said share prices had raced ahead just before the close of trading as marketmakers, thought to have been running small short trading books ahead of the Budget, decided to close their positions.

They were influenced not only by the prospect of a "good" Budget, but also by another burst of strength on Wall Street, where the Dow Jones Industrial Average was making rapid progress. And there was the additional boost to market sentiment by renewed takeover speculation across the various sectors.

In the background, there was strong support for equities from international bonds. The prospect of a series of international interest rate cuts was said to have driven bond markets higher.

Gilts closed almost a point ahead, with some traders taking the view that the Budget could well be followed by a rate cut in the UK. German bunds were similarly higher, lifted by increasing hopes that Thursday's Bundesbank Council meeting could see a reduction in German rates, a move that would be followed by a cut in French interest rates. It was significant, marketmakers said, that German equities surged yesterday.

At the end of the trading session the FT-SE 100 index was exactly 25 points higher at 3,649.0. The performance of the market's second line stocks, measured by the FT-SE Mid 250 index, was much less impressive, however.

The Mid 250 index finished a mere 1.5 firmer at 3,944.3, burdened by underperformance from a number of utilities stocks – which were unsettled by lingering fears of potential windfall tax impositions in the Budget – plus a steep fall in Allied Colloids and a downgrade in Associated British Ports.

Insurers, which also figured prominently in the two main market indices, were under pressure, with dealers expecting the chancellor of the exchequer to increase the tax on insurance premiums.

The FT-SE 100 began the session around 5 points ahead and drifted back during early trading before embarking on a strong upsurge over lunchtime.

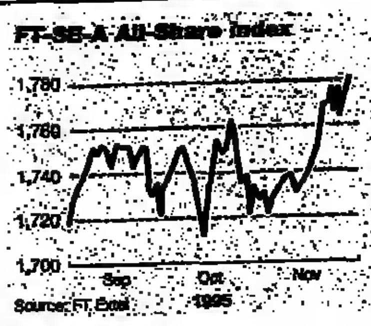
With Wall Street coming in broadly higher, and moving up to record levels, London's momentum gathered pace, eventually driving the Footsie to a new intra-day peak of 3,649.0.

The latest takeover news, which saw Kvaerner, the Norwegian shipbuilding and engineering group, bid for Amec, the construction and engineering company, added spice to the day's events. There were a number of takeover rumours circulating in the market towards the close, adding to the general mood of optimism.

South Wales Electricity was another big winner, on hopes that the long-awaited offer from Welsh Water will materialise this week.

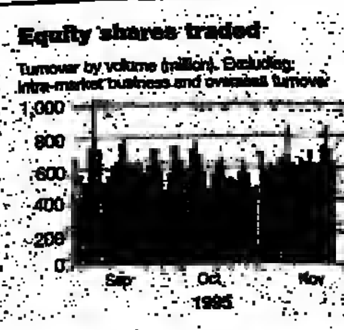
Turnover at 6pm was 746.3m shares, with non-Footsie stocks accounting for 53 per cent of the total. A sudden burst of activity lifted turnover in British Gas to 85m shares, or 11 per cent of the overall market total.

FT-SE-A All-Share Index



Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FT-SE 100	3649.0	+25.0
FT-SE Mid 250	3944.3	+1.5
FT-SE-A 350	1807.4	+9.9
FT-SE-A All-Share	1781.79	+8.97
FT-SE-A All-Share yield	3.79	(3.81)

FT Ordinary index	2673.0	+18.2
FT-SE-A Non Fins p/e	16.67	(16.56)
FT-SE 100 Fut Dec	3667.0	+40.0
10 yr Gilt yield	7.53	(7.63)
Long gilt/equity yld ratio:	2.07	(2.08)

Best performing sectors

1. Gas Distribution .... +3.9
2. Telecommunications .... +3.2
3. Utilities .... +1.8
4. Banks, Merchant .... +1.4
5. Chemicals .... +1.2

Worst performing sectors

1. Other Servs.& Business .... -0.8
2. Life Assurance .... -0.8
3. Distributors .... -0.5
4. Bldg. & Construction .... -0.4
5. Electricity .... -0.3

Pearson rises on sale talk

Media conglomerate Pearson shot forward in afternoon trading as a return of disposal and takeover speculation exacerbated an already tight market in the stock. The shares rose 24 to 667p, an 18-month high.

The stock was helped in early trade by relief that the group, which owns the Financial Times, was said to have rejected an offer to form a consortium to buy control of Metro-Goldwyn-Mayer/United Artists, the Hollywood studio.

There was further support from Goldman Sachs, which was suggesting that Channel 5 would produce almost £100m of revenue in its first year. Pearson is one of the partners in the channel.

However, the shares did not begin to move strongly until a couple of buyers started to hunt around for stock. This was combined with a rumour that one senior BSkyB executive had been saying Pearson was cheap and biddable.

Pearson has been seen as a possible takeover candidate for the past few months. There were also suggestions yesterday of a potential asset disposal. However, the alleged BSkyB comments might have been mischievous. One senior analyst said: "We had a visit to BSkyB on Friday and the executive they are talking about was not even there."

Hopes that British Gas will be able to renegotiate its onerous gas purchase contracts helped the shares, which have been trading around their three-year low, to bounce 9½ to 246½p. Also, Ms Clare Spottiswoode, the industry regulator, was said to be having talks at one UK investment bank.

However, some dealers and analysts were bemused by the late leap in trading volume. Blocks of 9m shares were shown on the electronic quotation system, priced at 254½p, some 8p above the prevailing mid price. The trades appeared to represent little more than technical dealing but they boosted overall recorded volume in the stock to 85m shares, the highest since the company was privatised by the government at the end of 1986.

Sentiment at telecoms giant BT, which has been in the doldrums for almost two years, continued to recover yesterday following a buy note from at least one top broker.

Last week's appointment of a new chief executive has cheered the market at a time when some brokers, taking the view that the shares are attractive on technical grounds, were in the throes of improving their stance.

Robert Fleming, which moved from sell to hold on Friday, has now decided to turn full circle with an outright buy recommendation. The shares, which have trailed the market as a whole by 20 per cent over the past 10 months, surged to the top of the Footsie performance charts with a rise of 16 to 376½p in 12m traded.

Talk of strengthened management at BT, versus a power vacuum at Cable and Wireless after last week's boardroom departures, led to speculation linking the two groups. Most leading City telecoms teams felt that persistent rumours of deals between BT and C&W's Hongkong Telecom offshoot had little basis in fact. C&W added 10 at 462p.

Another significant two-way pull propelled turnover in Vodafone up to 21m as the mobile phones group prepared to take analysts on a globe-trotting 12-day tour of its international operations. The shares firmed 5 to 222½p.

Hotels group Forte was in the spotlight again as it published its initial response to Granada's hostile bid. There was talk that Forte may soon announce the disposal of one of its "trophy" assets as part of its defence. Turnover in the bid target reached 9.9m by the close, as the shares hardened ½ to 346½p. The stock was also the most heavily dealt in the traded options sector.

Granada came under pressure amid fears that the bid may turn out to be a protracted battle. Sentiment was further damaged by reports that Granada will be among the hardest hit by competition from the new Channel 5 television station. The shares surrendered 12 to 639p in turnover of 2m.

AB Ports came off sharply following a sell note from UBS which takes the docks leader to task on accounting grounds. The broker argues that AB Ports' accounting techniques have inflated profits over the past five months. It suggests that on a more prudent basis the company barely broke even over the period.

The stock fell 10 to 272p in 2.6m traded, the heaviest volume in the shares since May.

Amec, the construction group at the centre of a tangled takeover triangle, closed 2 higher at 98p in 12m traded. This is 2p short of the value put on the shares by the cash offer from Norwegian shipbuilding and energy group Kvaerner which owns 14 per cent of Amec and which made an outright offer at the opening bell yesterday.

The Kvaerner deal is contingent on the failure of Amec's offer for rival UK construction group Alfred McAlpine. The latter, which yesterday declared itself opposed to the bid from Amec, fell 19 to 140p.

Kitchen and bathroom fittings specialist Spring Ram tumbled 7 to a 1995 low of 17p after a profits warning.

Hanson, the internationally traded conglomerate, continued its steady decline as concerns grew ahead of the full-year figures on Thursday.

The group's shares were already down by more than 20 per cent over the past six months in comparison with sharply higher UK and US markets. Yesterday, they lost 3 at 187½p as the Footsie reached a new all-time high.

Worries about profits from Hanson's Quantum chemicals subsidiary led investors to believe that there is no prospect of a raised dividend. Also, UBS, one of the market's leading bears on the stock, is believed to be preparing a negative report.

Prudential, the leading life assurer, was up 10p early in the day following a Sunday newspaper story suggesting it was poised to change its articles of association and release funds from its "orphan estate". The stories are not easily dismissed and there was additional support from ABN Amro Hoare Govett. But after a 50 per cent rise in the share price since January, there was seen to be ample scope for profit-taking. Pru closed marginally easier at 438½p.

Legal & General also succumbed to some pre-Budget profit-taking and fell 16 to 702p as the market got wind of one marketmaker trying to offload at least a million shares.

In the composite sector, concerns that the chancellor will today double insurance premium tax in the Budget was swept aside by hopes of a merger within the sector. Guardian Royal Exchange was seen as a possible candidate and the shares rose 5½ to 264p.

Profit-taking following Friday's bid talk in Asda Group left the group's shares trailing 2 to 101½p after trade of 8.2m.

The sector has underperformed the market over the last few months on worries about the effects of the price war among leading food retailers. However, Friday's bid talk in Asda brought a spate of buying to leading stocks in the sector which continued yesterday.

MARKET REPORTERS:
Peter John,
Joel Kibazo,
Jeffrey Brown.

FINANCIAL TIMES EQUITY INDICES

	Nov 27	Nov 24	Nov 23	Nov 22	Nov 21	Yr ago	*High	*Low
Ordinary Share	2673.0	2654.8	2639.2	2656.8	2615.9	2335.1	2673.0	2238.3
Ord. div. yield	4.03	4.06	4.08	4.05	4.10	4.48	4.73	4.02
P/E ratio net	15.85	15.73	15.65	15.71	15.65	17.62	21.33	15.35
P/E ratio nil	15.75	15.63	15.56	15.61	15.49	17.20	22.21	15.17

*For 1995. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2660.8	2656.8	2660.8	2663.5	2664.7	2663.2	2665.4	2665.3	2671.8	2673.5	2656.5

	Nov 27	Nov 24	Nov 23	Nov 22	Nov 21	Yr ago
SEAQ bargains	32,588	33,254	29,993	32,092	30,881	22,612
Equity turnover (£m)†	-	1785.9	1885.8	2277.3	2180.0	1115.6
Equity bargains†	-	39,307	35,475	38,070	37,524	26,049
Shares traded (ml)†	-	636.5	694.3	866.2	760.3	541.7

†Excluding intra-market business and overseas turnover.

■ London market data

Rises and falls*		1995 Highs and lows		LIFFE Equity options	
Total Rises	757	Total Highs	137	Total contracts	29,752
Total Falls	462	Total Lows	38	Calls	12,466
Same	1,654			Puts	17,285

Nov. 27 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	3637.0	3667.0	+40.0	3670.0	3628.0	8680	83227
Mar	3662.5	3691.0	+39.5	3691.0	3661.0	1708	10705
Jun	3662.0	3694.0	+37.0	3665.0	3662.0	275	134

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec		3950.0	-5.0			0	3200
Mar		3995.0	-5.0			0	300

■ FT-SE 100 INDEX OPTION (LIFFE) (*3,649) £10 per full index point

	3450		3500		3550		3600		3650		3700		3750		3800	
	C	P	C	P	C	P	C	P	C	P	C	P	C	P	C	P
Dec	222	4	174	6	128½	8½	85	14½	49½	26	26	53½	10	103	3	153
Jan	234	12½	192	19½	152½	29½	115½	43	84	62½	59½	87	37	118½	22	157
Feb	255	20	213	28½	176	41	141	58½	119½	78½	84	101½	62	131½	45	167½
Mar	298	33½	228½	43	198	54	156	71	124½	89	99½	114½	76	142	59½	175½
Jun†			294½	81½			199	113½			144	158			98	212

Calls 3,585 Puts 5,446

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3475		3525		3575		3625		3675		3725		3775		3825	
Dec	194½	3½	147½	6	102½	11	64	22	34½	42½	16	73½	6	113½	2	159
Jan	214	16	171½	23	132	33	96½	47	67½	67½	46	95	29	128	17½	166
Feb	230½	20	190½	29½	154	42½	121½	59	93	80	69½	105½	50	135½	35½	170
Mar			257	44½			137½	73			94	117½			47½	179
Jun†			246½	84½			184	118			138	160			98	214

Calls 382 Puts 2,777 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1995 High	1995 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	2.13	10	9	†Arion Props	9		V-	-	-	-
306	F.P.	47.8	301	285	BZW Eqs Bermuda	294	+3	V-	-	-	-
-	F.P.	61.8	103	101	Benfield & Rea	103		-	-	-	-
-	F.P.	5.76	84	50	†Chartwell Intl	84		V-	-	-	-
80	F.P.	3.58	71	65	†David Glass	66		Rv2.88	2.4	6.5	9.4
145	F.P.	59.9	152	142½	Enterprise Inns	148		WV8.4	-	5.4	10.3
-	F.P.	92.0	95	90	Guinness Flight	92		-	-	-	-
-	F.P.	193.0	195	191	Do Units	193	+1	-	-	-	-
-	F.P.	2.00	13	10	Do Warrants	10		-	-	-	-
125	F.P.	28.3	158	128	Heritage Bath	158		-	-	-	-
-	F.P.	25.1	121	98½	Hoare Govett Sl C	98½	-1	-	-	-	-
-	F.P.	2.00	80	70	London Town	80		-	-	-	-
-	F.P.	32.0	95½	93½	Martin Currie Jp	94		-	-	-	-
-	F.P.	2.07	33	30	Do Warrants	30½	-½	-	-	-	-
-	F.P.	14.1	101	97	Northern Venture	97		-	-	-	-
100	F.P.	24.8	102	99	Perpetual UK Smlr	99		-	-	-	-
-	F.P.	30.0	125	125	Premium Undrtg C	125		-	-	-	-
-	F.P.	135.8	98	95	Schroder Asia Pc	97		-	-	-	-
-	F.P.	74.5	196	173	Tom Cobleigh	167		uv2.7	2.2	1.8	30.3
-	F.P.	188.8	43	36	Trocadero	40		-	-	-	-
-	F.P.	165.4	280	263	Vero Group	273	+2	RWv5.1	1.8	2.3	30.1

† Alternative Investment Market. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Nov 24	% chg on day	Nov 23	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (34)	1836.83	+0.3	1832.04	1916.97	1.83	-	2083.06	1637.81
■ Regional Indices								
Africa (16)	2372.41	+0.1	2370.56	3167.82	4.21	20.63	3191.21	2272.74
Australasia (6)	2275.37	-0.5	2286.56	2429.91	2.16	25.79	2807.57	1788.20
North America (12)	1625.97	+0.5	1617.77	1467.41	0.83	46.69	1831.00	1348.16

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FT - SE Actuaries Share Indices — The UK Series

	Nov 27	Day's chge%	Nov 24	Nov 23	Nov 22	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3649.0	+0.7	3624.0	3602.5	3632.4	3047.1	3.92	2.09	15.24	134.50	1451.10
FT-SE Mid 250	3944.3	—	3942.8	3934.0	3949.3	3490.0	3.49	1.84	19.42	138.24	1542.17
FT-SE Mid 250 ex Inv Trusts	3962.9	—	3962.6	3954.1	3968.4	3489.0	3.62	1.81	18.10	142.90	1549.81
FT-SE-A 350	1807.4	+0.5	1797.5	1788.3	1801.4	1528.9	3.83	2.04	15.99	65.68	1469.57
FT-SE-A 350 Higher Yield	1809.4	+0.7	1797.2	1788.2	1806.2	1528.8	4.82	1.64	14.18	80.82	1218.82
FT-SE-A 350 Lower Yield	1809.9	+0.4	1802.4	1793.0	1801.1	1489.4	2.80	2.41	18.51	49.50	1229.65
FT-SE SmallCap	1948.87	—	1949.48	1949.28	1952.56	1785.85	3.32	1.70	22.14	58.22	1572.27
FT-SE SmallCap ex Inv Trusts	1930.58	-0.1	1931.67	1931.66	1935.40	1735.27	3.55	1.78	19.82	61.19	1596.02
FT-SE-A ALL-SHARE	1781.79	+0.5	1772.82	1764.38	1776.60	1514.98	3.79	2.02	16.31	63.88	1472.39

■ FT-SE Actuaries All-Share

	Nov 27	Day's chge%	Nov 24	Nov 23	Nov 22	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(23)	3097.82	+0.8	3079.38	3068.52	3083.35	2661.51	3.78	2.02	16.37	116.87	1303.48
12 Extractive Industries(7)	4300.32	+0.8	4267.81	4251.20	4205.84	3778.74	3.45	2.51	14.47	143.77	1233.00
15 Oil, Integrated(3)	3112.41	+0.6	3094.61	3062.97	3106.83	2631.41	3.95	1.95	16.16	123.19	1342.63
18 Oil Exploration & Prod(13)	1904.22	+0.3	1898.03	1897.53	1902.83	1847.30	2.64	1.49	31.70	49.88	1130.28
20 GEN INDUSTRIALS(277)	1940.43	+0.2	1936.27	1929.62	1944.05	1650.21	4.28	1.89	15.49	75.51	1038.24
21 Building & Construction(38)	1001.10	-0.4	1005.09	997.48	984.45	1023.03	4.00	2.02	15.45	38.42	823.25
22 Building Matls & Merchs(31)	1767.61	-0.1	1770.12	1759.85	1760.45	1826.32	4.21	2.03	14.63	67.08	874.01
23 Chemicals(23)	2341.27	+1.2	2312.69	2309.12	2344.93	2240.91	4.18	1.87	15.96	91.89	1068.48
24 Diversified Industrials(20)	1750.16	—	1750.48	1746.75	1777.76	1743.72	5.67	1.56	14.11	87.57	951.19
25 Electronic & Elect Equip(36)	2127.17	+0.8	2121.08	2107.39	2134.49	1836.57	3.51	1.99	17.90	61.70	1084.07
26 Engineering(69)	2167.45	+0.3	2161.83	2156.96	2153.77	1818.28	3.47	2.26	15.91	70.73	1295.27
27 Engineering, Vehicles(13)	2532.76	-0.2	2536.66	2561.84	2578.90	2320.87	3.71	1.17	28.95	93.56	1290.38
28 Paper, Pckg & Printing(27)	2519.83	+0.5	2507.28	2493.53	2493.13	2792.30	3.96	2.50	12.59	94.97	1021.48
29 Textiles & Apparel(21)	1467.14	—	1467.22	1462.46	1467.84	1540.46	4.88	1.84	13.96	68.16	878.29
30 CONSUMER GOODS(89)	3561.06	+0.6	3539.36	3530.13	3553.27	2730.58	3.78	1.79	18.48	125.29	1288.59
31 Breweries(17)	2780.27	+0.4	2768.61	2740.00	2755.53	2196.07	3.82	1.95	17.67	68.65	1303.41
32 Spirits, Wines & Ciders(9)	2783.08	+0.9	2757.63	2755.36	2770.74	2721.22	4.30	1.63	17.81	107.13	978.65
33 Food Producers(24)	2495.25	+0.1	2492.31	2492.41	2491.41	2260.57	4.02	1.95	16.81	93.70	1103.37
34 Household Goods(11)	2601.42	+0.7	2582.99	2548.82	2557.29	2266.54	3.66	2.13	15.95	90.95	976.74
36 Health Care(17)	1958.71	—	1959.66	1953.38	1959.73	1563.29	2.85	1.81	25.94	49.33	1176.16
37 Pharmaceuticals(10)	5018.84	+0.9	4973.35	4948.15	4996.26	3089.59	3.28	1.70	22.36	162.31	1676.61
38 Tobacco(1)	4815.70	+0.2	4807.23	4853.81	4904.84	3707.98	4.98	1.94	12.92	229.28	1165.06
40 SERVICES(227)	2206.83	+0.4	2198.31	2176.07	2177.27	1903.49	3.05	2.11	19.44	65.42	1129.70
41 Distributors(30)	2489.82	-0.5	2502.18	2489.41	2543.87	2511.17	4.08	1.77	17.48	94.66	903.61
42 Leisure & Hotels(30)	2579.80	+0.3	2572.09	2569.40	2566.42	2075.16	3.13	1.94	20.59	73.67	1321.34
43 Media(45)	3560.45	+1.2	3518.99	3496.78	3495.13	2652.11	2.05	2.37	25.66	79.03	1273.34
44 Retailers, Food(16)	1909.87	+0.6	1897.95	1859.71	1859.57	1750.84	3.79	2.40	13.71	65.37	1191.57
45 Retailers, General(44)	1893.65	-0.1	1895.22	1860.53	1853.40	1592.04	3.13	2.27	17.66	58.87	1066.95
48 Support Services(37)	1857.43	+0.5	1847.80	1852.10	1870.78	1611.84	2.49	2.52	19.97	41.72	1167.02
49 Transport(20)	2208.01	—	2208.38	2191.30	2194.49	2255.03	3.95	1.30	24.31	86.39	906.74
51 Other Services & Business(7)	1141.73	-0.8	1150.86	1149.43	1161.45	1253.28	4.25	1.53	19.30	43.10	1026.33
60 UTILITIES(35)	2494.73	+1.8	2451.70	2452.30	2486.79	2345.79	4.71	2.04	13.08	110.20	1025.18
62 Electricity(13)	2775.82	-0.3	2784.89	2790.06	2881.64	2465.84	4.16	2.81	10.66	157.90	1253.16
64 Gas Distribution(2)	1634.14	+3.9	1579.35	1570.15	1563.76	1967.67	7.33	1.04	16.38	119.82	819.87
66 Telecommunications(7)	2059.70	+3.2	1994.59	1967.96	2018.75	1927.15	4.10	1.74	17.50	54.96	917.27
68 Water(13)	2118.00	-0.1	2119.37	2138.22	2129.06	1786.96	5.53	2.58	8.75	99.08	1132.84
69 NON-FINANCIALS(651)	1879.59	+0.6	1867.81	1859.52	1871.18	1635.67	3.84	1.95	16.67	68.29	1395.77
70 FINANCIALS(115)	2872.55	—	2871.50	2852.09	2862.01	2152.39	3.86	2.43	13.23	105.96	1200.41
71 Banks, Retail(9)	4050.89	+0.1	4046.85	4023.65	4091.98	2851.70	3.59	2.81	12.38	140.81	1277.65
72 Banks, Merchant(6)	3600.86	+1.4	3550.17	3543.67	3546.28	2786.78	2.58	2.43	19.98	101.53	1127.76
73 Insurance(25)	1442.71	+0.4	1437.59	1423.31	1420.24	1209.78	5.10	2.68	9.14	73.13	1057.02
74 Life Assurance(6)	3504.29	-0.8	3531.25	3459.06	3482.98	2335.20	6.96	1.68	20.47	136.72	1427.65
77 Other Financial(22)	2398.50	-0.2	2402.84	2403.09	2412.51	1850.40	3.73	1.95	18.15	65.51	1338.37
79 Property(45)	1389.59	-0.1	1391.45	1390.67	1395.51	1399.55	4.51	1.33	20.80	54.46	837.80
80 INVESTMENT TRUSTS(135)	2963.54	+0.1	2959.62	2954.58	2968.79	2717.76	2.25	1.05	52.63	59.21	1022.86
89 FT-SE-A ALL-SHARE(897)	1781.79	+0.5	1772.82	1764.38	1776.60	1514.98	3.79	2.02	16.31	63.88	1472.39
FT-SE-A Fledgling	1095.63	+0.1	1094.82	1095.38	1095.10	-	2.84	1.33	33.00	30.85	1129.35
FT-SE-A Fledgling ex Inv Trusts	1097.37	+0.1	1096.49	1097.16	1096.65	-	2.98	1.40	30.05	29.78	1130.20

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3629.1	3626.2	3633.2	3640.5	3637.0	3636.8	3637.4	3637.5	3649.1	3650.2	3626.8
FT-SE Mid 250	3938.7	3938.4	3938.6	3939.2	3939.4	3939.2	3939.7	3938.9	3942.9	3944.3	3936.4
FT-SE-A 350	1799.2	1798.0	1800.5	1803.6	1802.3	1802.9	1802.4	1802.5	1807.3	1807.7	1797.8

Time of FT-SE 100 Day's high: 4.07pm Day's low: 9.11am. FT-SE 100 1995 High: 3649.0 (27/11) Low: 2954.2 (23/1).

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrn	989.8	989.5	989.0	990.2	989.2	997.2	988.8	985.4	985.9	988.2	999.5	-3.3
Pharmaceuticals	4921.5	4918.4	4940.9	4952.0	4950.0	4953.7	4952.7	4954.1	4975.7	4963.5	4917.2	+46.3
Water	2098.0	2097.2	2097.1	2100.5	2105.0	2107.4	2109.1	2112.7	2113.8	2114.1	2113.3	+0.8
Banks, Retail	4097.1	4082.4	4091.8	4083.5	4087.7	4081.7	4079.7	4083.2	4104.8	4102.6	4098.5	+4.1

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TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	305	432	-3
ASDA Group†	8,700	101½	-2
Abbey National†	2,500	605	-3
Albert Fisher	2,280	52	
Allied Domecq†	2,000	488	+7
Anglian Water	375	578	
Argos	1,800	584	-8½
Argyll Group†	1,400	288	+5½
Arjo Wiggins†	174	185	-1
Assoc. Brit. Foods†	89	704	
Assoc. Brit. Ports	2,600	272	-10
BAA†	1,500	498	+4
BAT Inds.†	3,000	588	+1
BET	3,200	127	+1
BICC	807	280	-1
BOC†	1,000	888	+17
BP†	6,100	507	+1½
BPB Inds.	841	307	-3
BSkyB†	565	402	+4
BT†	12,000	378½	+16
BTR†	5,900	331½	+3
Bank of Scotland†	658	271	-1
Barclays†	2,600	801	-1
Bass†	2,800	592	+3
Blue Circle†	652	322	
Booker	197	364	+1
Boots†	889	580	+3
Britannic	41	734	-5
Brit. Aerospace†	2,300	789	+2
British Airways†	3,700	469½	+1½
British Gas†	85,000	246½	+9½
British Land	830	374	+2
British Steel†	6,500	169½	+1
Bunzl	4,500	185	+9
Burmah Castrol†	605	973	+5
Burton	8,100	124½	+2½
Cable & Wire†	3,400	462	+10
Cadbury Schweppes†	1,800	555	-1
Caradon	6,400	194	-2
Carlton Comms.†	555	970	+1
Coats Viyella	2,400	176	+1½
Comm. Union†	717	648	-1
Compass	592	452	+3
Cookson†	5,500	301	+5
Courtaulds†	473	404	+10
Dalgety	290	393	+1
De La Rue†	1,700	713	+7½
Dixons	5,400	423	-1
East Midland Elect.	786	874	+4
Electrocomps	2,500	325	
Eng China Clays	1,200	333	+6
Enterprise Oil†	8,300	342	
Eurotunnel Units	112	97	-1
FKI	1,100	166	+2
Foreign & Col. I.T.	407	152½	+½
Forte†	9,900	346½	+½
Gen. Accident†	634	683	+8
General Elect.†	5,000	320	+2
Glaxo Wellcome†	3,000	889½	+9½
Glynwed	237	321	+3
Granada†	2,000	639	-12
Grand Met.†	1,800	436	+8
GUS†	1,000	599	-4
Greenalls	242	524	-2
GRE	4,100	264	+5½
GKN†	397	827	-1
Guinness†	3,000	460	+2
HSBC (75p shs)†	744	964	+1½
Hammerson	20	337	
Hanson†	16,000	187½	-3
Harrisons Crosfield	143	147	-1
Hays	374	382	+3
Hillsdown	891	155	-1
IMI	30	312	
ICI†	1,000	753½	+14½
Inchcape†	7,800	241	-4
Johnson Matthey	73	573	-4
Kingfisher†	3,600	526	-8
Kwik Save	1,500	571	
Ladbroke†	7,700	149½	+1½
Land Securities†	1,400	594	
Laporte	142	774	+2
Legal & General†	3,500	702	-16
Lloyds Abbey	455	483	-4
Lloyds Bank†	1,900	868	+9
LASMO†	3,700	180	+2
London Elect.†	932	910	+4
Lonrho	13,000	189	
Lucas	3,800	185	+1½
MEPC	983	391	
MFI	4,900	155	-1
Marks & Spencer†	4,600	453	
Mercury Asset Man	126	863	+2
Midlands Elect.†	86	924	-9
Morrison (Wm.)	160	142	
NFC	7,600	152½	-½
NatWest Bank†	3,200	670	-4
National Power†	4,300	460	+1½
Next	408	457	+2½
North West Water†	302	600	-3
Northern Elect.	112	964	+1
Northern Foods	3,200	182½	+1½
Pearson†	2,000	667	+24
P & O†	2,300	498	
Pilkington	5,000	188½	+½
PowerGen†	2,200	521	+5½
Prudential†	6,000	438½	-½
REXAM†	1,100	343	-2
RMC†	85	1029	
RTZ†	1,900	953	+6
Racal	402	259	-2
Rank Org.†	1,800	399	+8
Reckitt & Colman†	1,100	672	+7
Redland†	6,500	366	-2
Reed Intl.†	329	1034	+13
Rentokil†	663	322	-1
Reuters†	1,200	627	+12
Rolls Royce†	3,200	188½	-1
Ryl Bk Scotland†	1,800	537	-8
Royal Insurance†	585	395	-2
Sainsbury†	1,200	378	-2
Schroders†	32	1333	+27
Scottish & New.†	1,400	633	+1
Scot. Hydro-Elect.	900	358	-2
Scottish Power†	1,200	383	-2
Sears†	3,900	102½	-1½
Sedgwick	6,800	122	-4
Seeboard	480	641	-1
Severn Trent†	634	668	+8
Shell Transport†	2,800	802½	+7
Siebe†	480	744	
Slough Ests	702	204	+2
Smith (W.H.)	3,600	427	
Smith & Nephew†	3,500	195½	+½
SmKl Beecham†	2,100	698½	+6½
SmKl Beecham Uts.†	444	679½	+6½
Smiths Inds.	309	588	+4
Southern Elect.†	150	912	-8
South Wales Elect.	495	1055	+38
South West Water	70	495	-4½
Southern Water	24	873	-2
Standard Chartd.†	2,500	587	
Storehouse	1,100	347	+7
Sun Alliance†	3,700	368	+5
T&N	2,800	134	-3
TI Group†	581	441	+4
TSB†	1,300	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FT-SE 100 index constituent. All trades are rounded.

هكذا من الأصل

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Nov 27 / Sch)

BELGIUM/LUXEMBOURG (Nov 27 / Frs.)

CZECH REP (Nov 27 / Koruna)

DENMARK (Nov 27 / Kr)

FINLAND (Nov 27 / Mka)

FRANCE (Nov 27 / Frs.)

GERMANY (Nov 27 / Dm.)

GREECE (Nov 27 / Drachma)

ITALY (Nov 27 / Lira)

NETHERLANDS (Nov 27 / Fls.)

NORWAY (Nov 27 / Kroner)

POLAND (Nov 27 / Zloty)

PORTUGAL (Nov 27 / Escudo)

SPAIN (Nov 27 / Pta.)

SWEDEN (Nov 27 / Kronor)

SWITZERLAND (Nov 27 / Frs.)

TURKEY (Nov 27 / TL Lira)

PACIFIC

JAPAN (Nov 27 / Yen)

AUSTRALIA (Nov 27 / Aust$)

HONG KONG (Nov 27 / H.K.$)

INDONESIA (Nov 27 / Rupiah)

MALAYSIA (Nov 27 / MYR)

NEW ZEALAND (Nov 27 / NZ $)

SINGAPORE (Nov 27 / S$)

SOUTH KOREA (Nov 27 / Won)

TAIWAN (Nov 27 / TW $)

THAILAND (Nov 27 / Baht)

NORTH AMERICA

CANADA

TORONTO (Nov 27 / Can $)
4 pm close

MONTREAL (Nov 27 / Can $)
4 pm close

AFRICA

SOUTH AFRICA (Nov 27 / Rand)

INDICES

	Nov 27	Nov 24	Nov 23	1995 High		1995 Low	
Argentina							
General (29/12/77)	(u)	14563.57	14676.07	16531.18	2/1	9831.09	9/3
Australia							
All Ordinaries(1/1/80)	2157.3	2150.9	2150.7	2168.00	18/9	1823.30	8/2
All Mining(1/1/80)	991.3	988.6	982.8	1029.50	7/8	785.30	8/2
Austria							
Credit Aktien(30/12/84)	343.80	339.92	340.31	395.42	2/1	328.58	27/10
Traded Index(2/1/91)	937.17	924.05	923.54	1056.31	2/1	882.15	23/10
Belgium							
BEL20 (1/1/91)	1478.75	1466.01	1464.43	1491.30	2/8	1271.83	9/3
Brazil							
Bovespa (29/12/83)	(u)	40816.0	41910.0	48612.00	19/9	21382.00	9/3
Canada							
Metals Mins♦(1975)	(u)	5241.60	5268.37	5286.37	23/11	3906.85	1/3
Composite♦ (1975)	(u)	4672.04	4672.30	4710.30	12/7	3901.41	30/1
Portfolio§§ (4/1/83)	(u)	2294.71	2295.09	2307.81	12/7	1963.38	30/1
Chile							
IGPA Gen¶(31/12/80)	(u)	5534.5	5609.3	6383.10	11/7	4578.98	9/3
Denmark							
CopenhagenSE(3/1/83)	355.67	356.04	356.48	376.44	25/8	328.81	29/3
Finland							
HEX General(28/12/90)	1868.50	1848.98	1830.09	2332.22	14/9	1535.30	29/3
France							
SBF 250 (31/12/90)	1247.15	1248.55	1234.28	1322.30	12/5	1154.41	13/3
CAC 40(31/12/87)	1889.76	1890.85	1867.11	2017.27	12/5	1721.14	23/10
Germany							
FAZ Aktien(31/12/58)	799.13	788.92	788.46	846.76	19/9	708.87	30/3
Commerzbank(1/12/53)	2308.0	2280.0	2279.0	2427.80	19/9	2013.70	30/3
DAX (30/12/87)‡	2238.10	2198.16	2192.25	2317.01	15/9	1910.96	28/3
Greece							
Athens SE(31/12/80)	885.42	874.47	880.35	992.59	4/8	787.15	16/3
Hong Kong							
Hang Seng(31/7/64)	9523.87	9488.75	9505.67	10032.93	17/10	6967.93	23/1
India							
BSE Sens.(1979)	3023.28	3042.20	2944.18	3682.68	2/1	2944.18	23/11
Indonesia							
Jakarta Comp.(10/8/82)	472.93	468.93	468.81	519.18	11/8	414.21	19/4
Ireland							
ISEQ Overall(4/1/88)	2195.37	2206.74†	2207.43	2242.08	21/11	1813.59	23/1
Italy							
Banca Comm Ital (1972)	585.64	595.54	588.65	680.54	10/2	555.99	23/10
MIB General (2/1/85)	894.0	894.0	901.0	1076.00	10/2	877.00	23/10
Japan							
Nikkei 225 (16/5/49)	18543.14	18215.23	(c)	19684.04	4/1	14485.41	3/7
Nikkei 300 (1/10/82)	275.03	270.80	(c)	296.18	4/1	222.26	13/6
Topix (4/1/68)	1463.56	1442.06	(c)	1593.46	4/1	1193.16	13/6
2nd Section (4/1/68)	1892.99	1875.14	(c)	2130.88	4/1	1441.89	13/6
Malaysia							
KLSE Comp.(4/4/86)	925.66	922.41	920.03	1085.04	5/6	840.67	24/1
Mexico							
IPC (Nov 1978)	(u)	2575.99	2570.55	2822.21	8/9	1447.52	27/2
Netherland							
CBS TtlRtnGen(End 83)	515.7	508.3	505.0	515.70	27/11	422.90	23/3
CBS All Shr (End 83)	312.3	307.8	305.8	312.30	27/11	265.20	23/3
New Zealand							
Cap. 40 (1/7/86)	2156.12	2152.89	2140.10	2286.42	20/10	1961.43	5/1
Norway							
Oslo SE(Ind)(2/1/83)	1235.65	1236.77	1238.31	1292.18	18/10	1036.00	10/3
Philippines							
Manila Comp (2/1/85)	2377.20	2328.12	2319.35	2898.32	10/7	2196.48	20/11
Portugal							
BTA (1977)	2467.4	2449.71	2438.5	2971.80	9/1	2412.80	22/11
Singapore							
SES All-S'pore(2/4/75)	514.27	511.55	512.32	536.86	5/1	472.58	23/1
South Africa							
JSE Gold (28/9/78)	1298.4¶	1287.1	1286.8	2023.00	2/1	1280.20	30/10
JSE Ind. (28/9/78)	7593.0¶	7634.5	7595.2	7715.68	20/11	6222.06	31/1
South Korea							
KoreaCompEx(4/1/80)**	949.23	944.85	932.58	1027.37	2/1	847.09	27/5
Spain							
Madrid SE (30/12/85)	312.29	311.97	308.61	318.98	13/9	284.06	23/3
Sweden							
AffarsvardsGen (1/2/37)	1744.0	1738.2	1731.8	1872.39	19/9	1439.80	28/3
Switzerland							
Swiss Bk Ind (31/12/58)	1485.57	1471.59	1467.45	1485.57	27/11	1174.83	13/3
SBC General (1/4/87)	1110.03	1100.30	1097.81	1110.03	27/11	870.58	13/3
Taiwan							
WeightedPr.(30/6/66)**	4769.04	4598.75	4574.83	7051.49	5/1	4503.37	14/8
Thailand							
Bangkok SET (30/4/75)	1212.47	1218.29	1212.85	1472.04	10/7	1135.99	16/3
Turkey							
Istanbul Comp.(Jan 1986)	39806.4	42159.4	42820.8	54883.90	21/4	24044.31	23/1
WORLD							
MS Capital Int (1/1/70)§	712.0*	709.6	709.5	712.58	27/11	598.23	23/1
CROSS-BORDER							
Eurotrack 100(26/10/90)	1492.30	1450.97	1444.17	1480.89	15/9	1222.41	13/3
Euro Top-100 (26/6/90)	1315.75	1307.59	1301.38	1318.88	15/9	1117.34	9/3
JCapEDrops (31/12/88)	(u)	379.30	379.98	349.47	14/7	282.07	23/1
Barings Emerg.(7/1/92)	(u)	138.05	138.49	188.07	2/1	117.95	10/3

US INDICES

Dow Jones	Nov 24	Nov 22	Nov 21	1995 High	1995 Low	Since compilation High	Since compilation Low
Industrials	5048.84	5041.61	5023.55	5048.84 (24/11)	3832.08 (30/1)	5048.84 (24/11/95)	41.22 (2/7/32)
Home Bonds	104.51	104.54	104.49	104.54 (22/11)	93.83 (3/1)	108.77 (18/10/93)	54.99 (1/10/81)
Transport	2033.86	2031.44	1980.44	2033.86 (24/11)	1473.19 (3/1)	2033.86 (24/11/95)	12.32 (8/7/32)
Utilities	214.14	214.08	215.90	218.09 (25/10)	183.03 (3/1)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 5072.69 (5066.17) Low 5026.61 (4992.72) (Theoretical♣)
Day's high 5057.61 (5057.25) Low 5041.61 (5018.49) (Actual♣)

Standard and Poors	Nov 24	Nov 22	Nov 21	1995 High	1995 Low	Since compilation High	Since compilation Low
Composite ‡	599.97	598.40	600.24	600.24 (21/11)	459.11 (3/1)	600.24 (21/11/95)	4.40 (1/6/32)
Industrials¶	705.91	703.74	705.98	706.06 (24/11)	548.28 (3/1)	706.06 (24/11/95)	3.62 (21/6/32)
Financial	60.42	60.27	60.29	61.38 (18/10)	41.54 (3/1)	61.30 (18/10/95)	8.64 (1/10/74)
NYSE Comp.	320.40	319.71	320.23	320.48 (24/11)	250.73 (3/1)	320.48 (24/11/95)	4.46 (28/4/42)
Amex Mkt Val	531.27	528.33	528.55	553.58 (12/9)	433.12 (6/1)	553.58 (12/9/95)	29.31 (9/12/72)
NASDAQ Comp	1030.17	1021.24	1024.99	1067.40 (13/9)	743.58 (3/1)	1067.40 (13/9/95)	54.87 (31/10/72)

■ RATIOS

	Nov 24	Nov 17	Nov 10	Year ago
Dow Jones Ind. Div. Yield	2.32	2.35	2.39	2.87
	Nov 22	Nov 15	Nov 8	Year ago
S & P Ind. Div. yield	2.01	2.03	2.04	2.48
S & P Ind. P/E ratio	18.96	18.37	18.23	18.29

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Vodafone	8,141,900	33⅝	+⅜
PPSL Res	7,123,400	25⅞	+2⅛
Micron Tech	3,513,400	49¼	+1½
Motorola	2,590,700	62	2⅜
Telefonos	2,308,600	30⅞	+⅛
Norwest	1,875,400	31⅞	+⅜
K Mart	1,855,400	8	+⅛
Texas Insts	1,628,200	55⅜	+2⅜
Ford Motor	1,584,200	29⅛	—
British Steel	1,325,500	28⅜	+1

■ TRADING ACTIVITY

● Volume (million)

	Nov 24	Nov 22	Nov 21
New York SE	125.384	407.153	408.258
Amex	5.518	16.115	17.073
NASDAQ	139.432	429.802	548.585
NYSE			
Issues Traded	2,839	3,084	3,086
Rises	1,051	1,192	1,287
Falls	831	1,104	1,035
Unchanged	957	790	764
New Highs	72	142	130
New Lows	11	22	43

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
■ CAC-40 (200 x Index)							
Nov	1898.0	1891.0	-	1900.0	1878.0	22,025	27,614
Dec	1905.0	1900.0	-	1909.0	1888.0	8,541	25,678
■ DAX							
Dec	2228.0	2253.0	+37.5	2254.0	2227.0	254,544	102,872
Mar	2249.0	2273.5	+38.0	2274.5	2249.0	481	-
■ OMX							
Dec	1397.00	1395.50	+1.50	1400.05	1390.00	4,361	12,129
■ SOFFEX							
Dec	3235.0	3253.5	+27.1	3254.0	3235.0	3,755	13,251
Jan	3242.0	3259.5	+10.8	3242.0	3242.0	62	719

	Open	Latest	Change	High	Low	Est. vol.	Open int.
■ S&P 500							
Dec	601.35	604.40	+2.85	604.75	601.15	13,371	199,924
Mar	610.10	609.75	+2.90	610.10	607.75	541	19,160

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
■ Nikkei 225							
Dec	18330.0	18600.0	+370	18730.0	18330.0	28,657	149,675
Mar	18400.0	18690.0	+430	18770.0	18380.0	18,166	36,564

Open interest figures for previous day.

Base values of all indices are 100 except Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ – ... Nov 28. Taiwan Weighted Price 4683.81; Korea Comp Ex 942.60. ‡ IBIS/DAX after-hours index: Nov 27 - 2247.97 +37.08. ♦ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♣ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¶ Subject to official recalculation.

Prices supplied by Telekurs

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1995, except Toronto & Montreal (daily). ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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■ TOKYO - MOST ACTIVE STOCKS: Monday, November 27, 1995

	Stocks Traded	Closing Prices	Change on day
NKK	9.4m	279	-2
Hyogo Bank	8.2m	1	-1
Nip Steel	6.7m	353	-1
Hitachi	5.8m	1020	+10
Toho Zinc Co	5.4m	695	+15
NEC	5.3m	1270	+30
Fudo Const	5.0m	1110	+10
Toshiba	4.2m	723	+6
Mitsubishi Hvy	3.8m	812	+1
Takara Shuzo	3.6m	1040	+30

4 pm close November 27

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1995 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
19	12 1/8	AAR	0.48	2.8	25	31	18 1/2	16 1/2	18 1/2	
46 3/4	35	AMP	0.92	2.8	20	2318	40	39 1/4	39 3/4	-1/8
80 1/4	53 1/8	AMR			17	6417	73 1/8	71	72 1/4	+3/4
47 7/8	36 1/2	ASA x	1.71	4.4	25	985	39	38	39	+1 1/4
44 1/4	30 1/8	AbbotL	0.84	2.0	18	6797	41 1/8	40 5/8	41	+1/4
16 7/8	12	AbitibiPr	0.48	2.4	8	896	16 7/8	16 5/8	16 7/8	+1/4
27 7/8	21	ABM Ind	0.60	2.2	15	17	27 1/4	27 1/8	27 1/8	-1/8
17 1/2	13 1/8	Acceptnce			10	66	15	14 7/8	15	+1/8
37 1/4	21 7/8	ACE Ltd	0.56	1.6	9	1285	36 1/4	35 7/8	36	
9 7/8	8 1/8	ACM Gvt In	0.80	9.4	9	481	9 1/4	8 5/8	9 3/8	+1/8
7 3/4	6 1/2	ACM GvOpp	0.66	8.9		575	7 1/2	7 1/4	7 3/8	+1/8
7 1/2	5 3/4	ACM Gvt Sp	0.75	10.7		391	7	6 7/8	7	+1/8
8 3/4	7 1/4	ACM Gvt Se	0.90	10.3		359	8 3/4	8 5/8	8 3/4	+1/8
9 1/2	7 3/8	ACM Mun	0.90	10.1		196	8 7/8	8 3/4	8 7/8	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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4 pm close November 27

NYSE COMPOSITE PRICES

Continued from previous page

1995 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close	Chg Prev. Close
57¼	39⅝	SBC Cm	1.65	3.1	10	5744	54⅛	53¾	53⅞	+⅛
26⅞	20½	Scana Corp	1.44	5.5	18	1810	26⅛	25¾	26⅛	+⅜
18	14½	Scecorp	1.00	6.1	10	3602	16⅝	16¼	16⅝	+⅛
11⅞	6⅛	SchawkA	0.08	3.9	17	22	7	6¾	6¾	
50¼	37¼	ScherorRP			22	341	42⅞	42½	42¾	+⅛
58¾	35⅛	SchrPl	1.18	2.0	21	11196	u57⅞	56½	57½	+1¾
69⅝	50⅛	Schlmb	1.50	2.3	26	5911	67¼	65¾	66½	+¼
29	11⅛	Schwab(C)	0.18	0.7	24	2182	23⅛	22⅝	22⅞	+⅛
24⅞	11⅞	SciAtl	0.06	0.4	21	2980	16⅛	15¾	15¾	-¼
20	16⅛	Scotsman	0.10	0.6	18	32	16⅝	16½	16½	
56⅞	33½	ScottP x	0.40	0.7	10	6072	56⅝	55½	56⅜	+⅜
39⅞	26⅞	Scripps x	0.52	1.3	28	1481	u39⅛	39	39¼	+⅜
21½	13⅜	ScuddrNAsF	0.02	0.1		203	14⅛	13¾	14	+⅛
11⅝	8⅝	ScuddrNGF x	0.16	1.4		1483	u11⅛	11	11⅝	+½
20	13⅜	SeaCnB	0.70	3.9	2	35	18⅜	18	18⅝	
19¼	14⅝	SeaC1.4625	1.46	9.3		10	15¾	15⅝	15¾	+¼
64	23⅝	S'gate			10	7609	50⅝	47¾	47¾	-1½
39¼	25⅝	Seagrm	0.60	1.6	20	6747	u39½	37	37¼	-1⅞
22½	15¼	Seagull En			65	433	19⅞	19⅜	19½	-⅛
30⅝	18	Sealed Air			25	1713	30⅛	29⅝	30⅛	+¼
40	30⅞	SearsR	0.92	2.4	10	9694	39⅞	38⅝	38¾	-⅜
19½	16⅝	SecCapStl	1.15	6.0	22	415	19¼	19⅞	19⅜	
12⅝	10⅜	Seligm Sel x	0.84	6.9		21	13¼	12⅛	12¼	+⅛
38¼	20	Sensormat	0.22	1.0	20	1954	22⅜	21⅞	22⅛	+⅛
32⅛	21⅞	SequaA	0.60	2.0	13	67	30⅛	29⅞	29⅞	-⅜
38⅝	23	SequaB	0.05	1.3	20	2	38½	38½	38½	-⅛
43¾	20¼	ServCp	0.44	1.1	24	1666	41½	41	41¼	-¼
29½	21½	SvMstr	0.98	3.3	13	292	29⅞	[illegible]	[illegible]	[illegible]
[illegible]										
24⅜	14⅛	Stone Cont x	0.20	3.8	3	7556	16⅛	15¾	16	
28½	19⅜	Stop Shop			12	1043	20⅞	20⅝	20¾	+¼
33¼	17⅞	StrTch			79	2006	25⅜	24⅝	24¾	
39⅞	25	Stratus			47	910	21⅝	31	31⅛	
13¼	6¼	StrideRite x	0.38	4.1	40	1538	9⅜	9⅛	9¼	+¼
35⅝	25⅞	Sturm Ruger	1.40	4.7	15	254	29⅞	29¾	29½	+⅜
11½	10¼	Sun Dis A	1.10	10.0	12	194	11	10⅞	11	-⅛
4⅞	3⅞	Sun Dis B	0.24	5.2	4	63	4⅜	4⅛	4⅝	
4¾	3⅞	Sun Energy x	0.64	16.0	16	53	4	4	4	-⅛
48¾	34	Sundstr x	0.60	1.2	17	656	49½	48½	48¾	-½
69⅞	44½	SnAstr	1.20	1.8	27	333	67⅛	66⅛	67⅛	+1¼
10⅛	5⅞	SunshineFY	1.19	11.9		22	10	10	10	
2⅞	1⅛	SunshM				1845	1⅝	d1⅛	1½	-⅛
65¼	47¼	Suntst	1.44	2.1	14	604	67⅞	66⅞	67⅞	+1
14¾	10⅛	Super Food x	0.38	2.9	15	61	13⅜	13¼	13¼	-⅛
35¾	23⅞	Superior	0.20	0.7	14	536	28⅛	27⅞	28¼	+⅛
32¾	25½	Supval	0.96	3.0	50	1606	u32¾	32⅜	32⅝	-⅛
32¼	17⅞	Surg Care x	0.20	0.6	34	1100	31⅝	30⅞	31⅛	+¾
23⅞	17⅞	Swiss Helv	0.02	0.1		178	21½	21⅞	21½	+⅛
40⅝	24⅛	Symbol Tec			22	461	37⅛	36⅝	36⅞	
9½	8⅝	Syms Corp	0.20	2.6	18	25	7⅝	7⅝	7⅝	
35	17⅜	Synovus Fn	0.54	1.8	20	454	u30⅛	29⅝	29¾	-⅛
31¾	24⅞	Sysco	0.44	1.4	21	2833	31⅛	30⅞	31	-⅛

- T -

1995 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close	Chg Prev. Close
6½	4⅛	TCBY Enter	0.20	4.7	47	165	4⅜	4¼	4¼	-⅛
61⅛	37¼	TCF Financ	1.25	2.1	10	570	60⅜	59⅞	60¼	+⅛
9	7⅝	TCW Conv S	0.84	9.3		836	9	8⅞	9	
54½	30	TDK Corp A	0.45	0.8	46	55	52½	52	52½	+1⅛
2½	1¾	T I S Mtge x	0.08	5.3	18	35	1½	1½	1½	-⅛
17¾	11⅛	TJX	0.56	3.5	21	4100	17	16	16	-⅛
19¼	14⅝	TNP Enterp x	0.86	4.2	17	241	19	18⅝	18⅞	+¼
82⅞	61¾	TRW	2.00	2.7	11	798	74½	74	74⅛	
28⅝	19¼	Taiwan Fd	0.02	0.1		450	21¾	20¾	20¾	+⅛

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- X - Y - Z -

1995 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close	Chg Prev. Close
139¾	98½	Xerox	3.00	2.1	17	2051	d140⅛	138¾	139⅝	+1⅛
52½	42⅛	Xtra Corp x	0.64	1.5	12	71	43⅛	42¾	43⅛	+⅜
22⅞	18⅛	Yankee Egy	7.26	5.6	10	81	22⅛	22¼	22⅝	
48½	34⅛	York Int	0.24	0.5	18	2098	45⅛	44⅞	45½	+⅛
4½	2½	Zapata	0.14	3.6	8	323	3⅞	3⅞	3⅞	
12⅛	8⅞	ZenthE			4	936	7⅛	7⅛	7¼	+⅛
24⅝	19⅜	Zenith Nat	1.00	4.5	31	23	22⅛	22	22⅛	
6⅞	6⅛	Zenix Inc x	0.72	10.9		79	6⅝	6½	6⅝	
18⅞	12⅝	Zero	0.44	2.8	10	120	15⅞	15⅝	15¾	
28	16⅞	Zurn Ind	0.40	1.6	22	369	25¼	25	25	+⅛
11½	10¼	Zweig Fund	1.12	10.0		423	11¼	11	11¼	+⅛
9	7⅞	Zweig Tot	0.84	0.7		344	8⅝	8½	8⅝	

Price data supplied by Telekurs

Yearly highs and lows for NYSE reflect the period from Jan 1 1995. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. sls-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.

‡ Dealings suspended.

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AMEX COMPOSITE PRICES

4 pm close November 27

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

4 pm close November 27

NASDAQ NATIONAL MARKET

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
[illegible]							

FINANCIAL TIMES
Tuesday November 28 1995

AMERICA

Bond market gains push Dow higher

Wall Street

US shares continued last week's rally in early trading yesterday as weak economic news lifted the bond market, *writes Lisa Bransten in New York.*

At 1 pm. the Dow Jones industrial average was 40.10 stronger at 5,088.94. The more broadly based Standard & Poor's 500 was 3.17 higher at 603.14, but the American Stock Exchange composite slipped 0.82 to 530.45. Volume on the New York SE came to 200m shares.

As was the case for much of last week, the Dow outperformed the broader markets, rising 0.8 per cent compared with e 0.5 per cent increase in the S&P 500.

The technology-laden Nasdeq composite added 3.04 at 1,033.21 as it continued to make up some of the ground lost last week.

The bond market was led higher by speculation that the German Bundesbank might lower interest rates on Thursday, and by weaker than expected figures on new home sales in the US.

Also helping bonds was anecdotal evidence of weak retail sales over the holiday weekend.

The three deys after Thanksgiving are considered the start of the boliday shopping season in which stores often make as much as 40 per cent of their annual sales.

Sberes in retailers were mixed. Dayton Hudson lost $⅝ at $72⅞ and The Limited slipped $¼ to $17¾, while the Gap added $¼ at $48¼ and Wal-Mart firmed $⅛ to $24⅞.

Gaining shares in the Dow included Caterpillar, up $1¾ at $61½, AT&T, which rose $1¼ to $66⅞, and Procter & Gamble, which was $1⅝ higher at $88⅝.

Walt Disney, another component of the Dow, was $⅝ stronger at $63⅝. The company's new movie "Toy Story" posted record ticket sales over the long weekend.

Elsewhere, Home Shopping Network added $⅜ or 4 per cent at $9⅞ after announcing that Mr Barry Diller, the media executive who helped to build the Fox Network, would become its chairman.

First Alert, which makes smoke detectors and other home safety products, fell $4⅝ or 34 per cent to $9 after the company said that a slowdown in fourth-quarter sales would lead to flat overall revenues for this year, and that it would take a charge of 8 cents e share in the fourth quarter.

Canada

Toronto was mixed, especially in the mining area, where the metals and minerals index was off 49.47 at 5,192.13 at noon but where golds and precious metals, a little later in midsession, were running 148.94 or 1.5 per cent ahead at 10,360.10.

The noon TSE 300 Composite index was off 3.74 at 4,668.30 with volume, by then, up from 28.6m to 37.8m shares.

Most active stocks were led by iSTAR Internet, the Internet access provider, which made its market debut at C$22 against an IPO price of C$12, easing to C$18 by 1 pm.

São Paulo loses 2%

São Paulo was off 2 per cent by early afternoon as the government appeared to be coming under scrutiny over the award of a $1.4bn radar contract. The Bovespa index retreated 870.84 to 39,946.

Over the weekend, allegations were made concerning irregularities in connection with the award of the contract to a US company. A senate committee has been set up to investigate how the contract was made.

MEXICO CITY was weaker in early trading in the absence of fresh leads. By midsession the IPC index had shed 19.59 to 2,556.40. Brokers said many investors were now taking profits following the market's rise of 15 per cent since the middle of the month.

Early risers included Tolmex, the cement maker, 4 per cent stronger, and San Luis, the miner, with a rise of 4 per cent. Among the fallers, Televisa was off 1.3 per cent.

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1995	Start of 1995	Start of 1995
Austria	+2.26	+2.65	-12.05	-14.23	-5.91	-6.13
Belgium	+0.16	+3.75	+8.33	+8.06	+18.37	+18.10
Denmark	+0.02	+0.16	+2.03	+0.23	+11.45	+11.16
Finland	+1.53	-4.32	+3.49	+2.78	+15.62	+15.35
France	+0.11	+7.32	-0.70	+1.78	+11.75	+11.48
Germany	-0.02	+3.72	+4.12	+1.61	+11.66	+11.40
Ireland	-0.85	+6.64	+23.06	+19.15	+24.65	+24.36
Italy	-1.60	-2.04	-7.99	-9.70	-7.86	-8.09
Netherlands	+1.83	+5.43	+13.72	+10.69	+21.37	+21.09
Norway	+2.57	+2.17	+7.77	-0.63	+7.73	+7.48
Spain	+5.13	+9.90	+6.05	+11.76	+21.59	+21.31
Sweden	+2.40	+3.64	+19.13	+21.95	+39.65	+39.32
Switzerland	+1.97	+5.95	+24.26	+21.59	+39.75	+39.42
UK	+0.29	+3.40	+18.14	+17.16	+17.19	+16.91
EUROPE	+0.73	+4.22	+11.09	+10.44	+17.49	+17.21
Australia	+1.27	+4.10	+14.53	+12.57	+7.33	+7.06
Hong Kong	+2.30	-2.57	+5.07	+11.20	+11.50	+11.23
Japan	+0.25	+4.17	-2.11	-6.81	-8.04	-8.26
Malaysia	+4.59	-5.30	-11.09	-7.69	-6.95	-7.17
New Zealand	+0.05	-1.95	+4.53	+10.13	+12.39	+12.14
Singapore	+1.66	+0.31	-3.36	-3.53	-0.20	-0.43
Canada	+2.28	+7.99	+14.77	+10.74	+14.99	+14.72
USA	-0.03	+3.54	+33.55	+30.67	+31.26	+30.97
Mexico	+9.34	+12.99	+7.16	+5.34	-32.27	-32.42
South Africa	-0.74	+4.04	+15.64	-1.13	+10.52	+10.26
WORLD INDEX	+0.42	+3.69	+13.77	+11.35	+13.24	+12.97

† Based on November 24 1995.

EUROPE

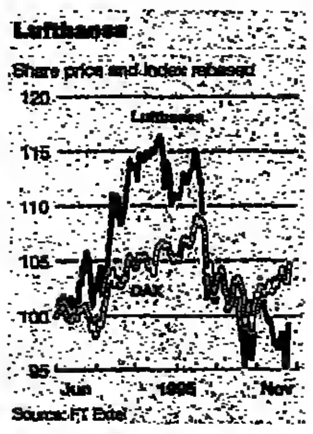
Automotive stocks star in Frankfurt 1.7% rally

A seven-week high for the dollar against the D-Mark lifted FRANKFURT, which added lower CPI indications for November, a surge in bunds, and interest rate hopes ahead of Thursday's Bundesbank meeting, as the Dax index rose 37.05 or 1.7 per cent to an Ibis-indicated 2,247.97.

Turnover was DM7.7bn. Lufthansa, which might like a weak D-Mark more than a strong dollar, rose DM4.60 to DM194.60 after flat nine-month profits of DM506m, which matched expectations and which were struck after DM440m of exchange rate losses. Analysts hoped things would be better in 1996.

Automotive stocks took three places in the Ibis top 10, with Continental, the tyremaker, up 65 pfgs at DM21.10, MAN, the truckmaker and engineer, DM10.50 better at DM415 and BMW DM17.80 higher at DM782.80.

Mr Christopher Will at Lehman Brothers said that Conti, not obviously e dollar stock, had underperformed Pirelli, in Italy, and Michelin, in France, all year. BMW, clearly a dollar stock, was weakened recently by talk of Rover doing badly in the UK, but it had good German car sales figures on its side.



Source: FT Extel

ZURICH started to worry as the dollar took it to a fourth consecutive all-time high, the SMI index rising 30.9 to 3,251.0. Zurich Insurance registered put on SFr12 at SFr358 after UBS issued 5m call warrants on the shares. Dealers said a heavy number of call warrants had been issued on Swiss stocks in recent weeks, and that a substantial part of the recent bull run might have been driven by these warrants.

Meanwhile, CS Research changed its recommendation on Adia "underweight" to "neutral" and the shares rose SFr5 to SFr199.

AMSTERDAM saw cyclicals and financials lift the AEX index to a new closing high, up 8.25 or 1.8 per cent at 475.62.

Fokker certificates featured among the session's best performers, up 60 cents or 7.2 per cent at Fl 8.90, helped by an announcement that it had secured new orders worth an estimated $570m at the Paris air show and ahead of tomorrow's emergency meeting with shareholders.

Hoogovens rose by Fl 2.80 or 5.3 per cent to Fl 55.90, while Philips put on Fl 2.30 or 3.9 per cent at Fl 61.00. Nedlloyd rose 40 cents to Fl 36.20 ahead of today'a third-quarter figures. Analysts expected results in the range of Fl 17m to Fl 26m, against Fl 43m in 1994.

PARIS remained worried about the effect industrial action by unions would have on confidence. The CAC-40 index dipped 0.99 to 1,889.76.

An announcement from Mr Alain Juppé, the prime minister, that hypermarkets and large stores would need authorisation to expand or create floor space beyond 300 square metres in an effort to encourage the development of small businesses was well received. Carrefour, a major retailer, made FFr53 to FFr2,776 as analysts said that there had been worries thet the government might impose a freeze on the construction of new hypermarkets.

Total dipped FFr3.50 to FFr309 as the oil group said that it had seen a fall in nine-month sales.

MILAN remained in a holding pattern, the additional constraint being today's start of trading in Eni, the energy and chemicals group. The Mibtel index moved forward 52 to 9,070 and the Comit was ahead 0.10 at 565.64.

Significant ective stocks included Fiat, down L13 st L4,885, and Ferfin, off L18 to L1,107, while in the opposite direction, Generali rose L335 to L37,100, Mediobanca L203 to L10,350 and Credito Italiano L14 to L1,725.

HELSINKI hed an FM7 advance to FM228 in Nokia A to balance a drop of FM60 or 16 per cent to FM320 at Kone, the lift manufacturer, after a profits warning. The Hex index rose 17.86 to 1,866.50.

Outokumpu put on e further FM1.50 to FM69.50 following its part in the recent West Australian nickel find. Neste, the state energy group, made a good debut, closing officially at FM83, against an offer price of FM78, although it slipped to FM80 after hours.

OSLO fielded Kvaerner's hostile bid for Amec, of the UK, with Kvaerner B down NKr3 at NKr200, and the total index up 1.01 at 718.99.

ATHENS was relieved by improved hospital reports about Mr Andreas Papandreou, the premier, and absorbed by press stories that the new Athens casino project was finally on the launching pad. The general index rose 10.95 to 885.42.

VIENNA rose on the dollar, and hoped for a cut in both German and Austrian interest rates on Thursday; the ATX index added 13.12 at 937.17, with Wienerberger, the building materials group, up Sch70 at Sch2,045 after higher than expected nine-month earnings earlier this month.

ISTANBUL dived 5.4 per cent as further uncertainty ahead of the country's general election later next month caused a bout of selling. The composite index fell 2,262.98 to 39,896.48.

Written and edited by William Cochrane and John Pitt

FT-SE Actuaries Share Indices

THE EUROPEAN SERIES

Nov 27 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1459.84	1461.51	1461.60	1460.66	1462.19	1465.40	1466.34	1462.30
FT-SE Eurotrack 200	1562.35	1563.07	1563.33	1562.12	1563.90	1565.19	1563.26	1560.91

	Nov 24	Nov 23	Nov 22	Nov 21	Nov 20
FT-SE Eurotrack 100	1450.97	1444.17	1441.45	1440.08	1446.56
FT-SE Eurotrack 200	1554.83	1549.58	1552.60	1547.28	1552.88

Base 1000 (26/10/90); High/day: 100 - 1466.85; 200 - 1565.86 Low/day: 100 - 1459.84 200 - 1560.06 † Partial

ASIA PACIFIC

Nikkei rises 1.8% as Karachi slides to 25-month low

Tokyo

Wall Street's third consecutive record high on Friday prompted technical buying which contributed to e 1.8 per cent rise in the Nikkei average, *writes Emiko Terazono in Tokyo.*

The 225 index gained 327.91 et 18,543.14, having moved between 18,230.91 and 18,689.52. The index remained above the 18,500 level in spite of profit-taking by institutions.

Volume was 380m shares, against 277m. Many investors were absent on the last trading day for the November account. The Topix index of all first section stocks advanced 21.58 to 1,463.66 and the Nikkei 300 put on 4.43 at 275.03. Rises led declines by 894 to 207, with 99 issues unchanged.

In London the ISE/Nikkei 50 index was 2.72 up at 1,252.17.

Banks were higher on Friday's earnings announcements, when many of the leading banks revealed details of their bad debts. Traders said some investors saw the announcements as a step towards full disclosure of their problems.

Fuji Bank gained Y50 at Y2,070 following its announcement that it would post losses for the current year so as to write off losses stemming from bad loans. Dai-Ichi Kangyo rose Y80 to Y1,890 and Mitsubishi Bank moved ahead Y60 to Y2,220.

Daiwa Bank went against the trend, losing Y10 to Y670 after reports that ehareholders had filed a lawsuit against the bank's executives dampened investor confidence.

A rally in US high-technology stocks helped semiconductor related issues and other electricals. Kyocera, the semiconductor ceramic package manufacturer, rose Y120 to Y7,730 and Advantest, a semiconductor testing device maker, added Y190 at Y5,700.

Calls for relocating the Capital from Tokyo to Tochigi or Fukushima by some politicians boosted real estate companies. Towa Real Estate, which owns large amounts of land in Tochigi prefecture, north of Tokyo, firmed Y10 to Y410 and York-Benimaru, a chain store operator based in Fukushima, in northern Japan, put on Y50 at Y3,830.

Growing speculation about an imminent cut in the official discount rate helped power companies and Tokyo Electric Power rose Y30 to Y2,650.

In Osaka, the OSE average was up 272.30 to 19,770.54 in volume of 88.3m shares. Nintendo, the video game maker, appreciated Y200 to Y7,760 and Murata Mfg Y80 to Y3,550.

Roundup

Another day of pain saw KARACHI follow a 2.1 per cent drop on Sunday, reflecting heavy short-selling by speculators, with a further KSE index slide of 31.90 or 2.3 per cent to a 25-month low of 1,349.56.

This time, said dealers, there was selling from every quarter, investors fleeing from political violence, industrial strife and economic uncertainty. One trader said the current downtrend could take the index to 1,200.

MANILA was lifted by data which showed that the economy had grown by 6.8 per cent in the third quarter, compared with a 6.4 per cent advance in the same 1994 period. The composite index surged 51.76 or 2.2 per cent to 2,877.88.

Filinvest was a notable corporate story as foreign investors were seen taking a position in the property group, and the stock jumped 30 centavos or 4.5 per cent to 6.90 pesos.

SYDNEY was disappointed by the debut of David Jones, the retailing group, which ended the session at A$1.99 compared with the issue price of A$2, and against a day's high of A$2.09, in volume of 13.6m shares. The All Ordinaries index rose 6.4 to 2,157.8 in turnover of A$358.6m.

Source: FT Extel

Nickel companies continued to climb, with Mount Kersey, following a neighbour's discovery of ore deposits last week, adding 80 cents at A$3.10. Yardarino and Gindalbie Gold, which could also benefit, rose respectively by nearly 100 per cent to A$0.21 and 25 per cent to 10 cents.

TAIPEI, encouraged by a gain of 1.7 per cent on Saturday, added 2.3 per cent on expectations that the ruling Nationalist party would win the majority of seats at next weekend's parliamentary elections. The weighted index advanced 105.23 or 2.3 per cent to 4,769.04. Turnover amounted to T$34.6bn.

Electronics, after recent falls, emerged to lead the gains, rising 2.6 per cent as a group, with Acer up T$2.50 to T$60.

HONG KONG dealers said they did not expect a great deal of trading activity this week. This was reflected in turnover of HK$2.6bn as the Hang Seng index rose 35.12 to 9,523.87, off the session's peak of 9,553.06.

Some brokers attributed the light trade to an outflow of funds from Asia to other world markets, particularly the US.

SHANGHAI's B share index retreated on selling pressure in Pudong stocks, which finished at a six-month closing low due to weak market sentiment. The index elipped 1 per cent to 50.08, the lowest level since May 2.

SHENZHEN was affected by news that Chengdn Shndn Mansion had obtained final approval to list some 35m A shares today. The index fell 1.84 to 133.82 in turnover of Yn154m. The B index was little changed, rising 0.31 to 62.97.

BANGKOK investors mostly stayed on the sidelines, waiting for the launch of the government's new rescue fund to prop up the ailing market. The SET index shed 5.88 to 1,212.41 in turnover of only Bt2.1bn.

The government-sponsored measures, including Bt30bn in loans to brokers and investors, were delayed by technical hitches.

JAKARTA saw Telkom up Rp100 to Rp2,425 after rises in London and New York on Friday. The JKSE Composite index rose 4.00 to 472.93. Still in telecoms, Indosat put on Rp275 at Rp7,425 for similar reasons.

KUALA LUMPUR featured a 15-cent gain to M$1.85 in Damansara Realty, with trading heavy on speculation about a strategic change in shareholdings. The KLSE Composite index rose 6.25 to 928.66.

SEOUL was boosted by an official decision to punish those responsible for the brutal crackdown on e 1980 uprising in Kwangju.

The Composite index closed 6.73 higher at 949.23.

Bullion price lifts gold shares

The golds sector was assisted by e rise in the price of bullion, while an absence of buyers left industrials weaker.

The overall index lost 25.5 at 5,960.9 and the industrials index receded 41.1 to 7,593.4, while the gold shares index firmed 11.3 to 1,298.4.

Individual features included Anglos, which declined R1 to R218, Vaal Reefs, R4 stronger at R228, and De Beers, finally R1.25 cheaper at R106.25.

FT/S&P ACTUARIES WORLD INDICES

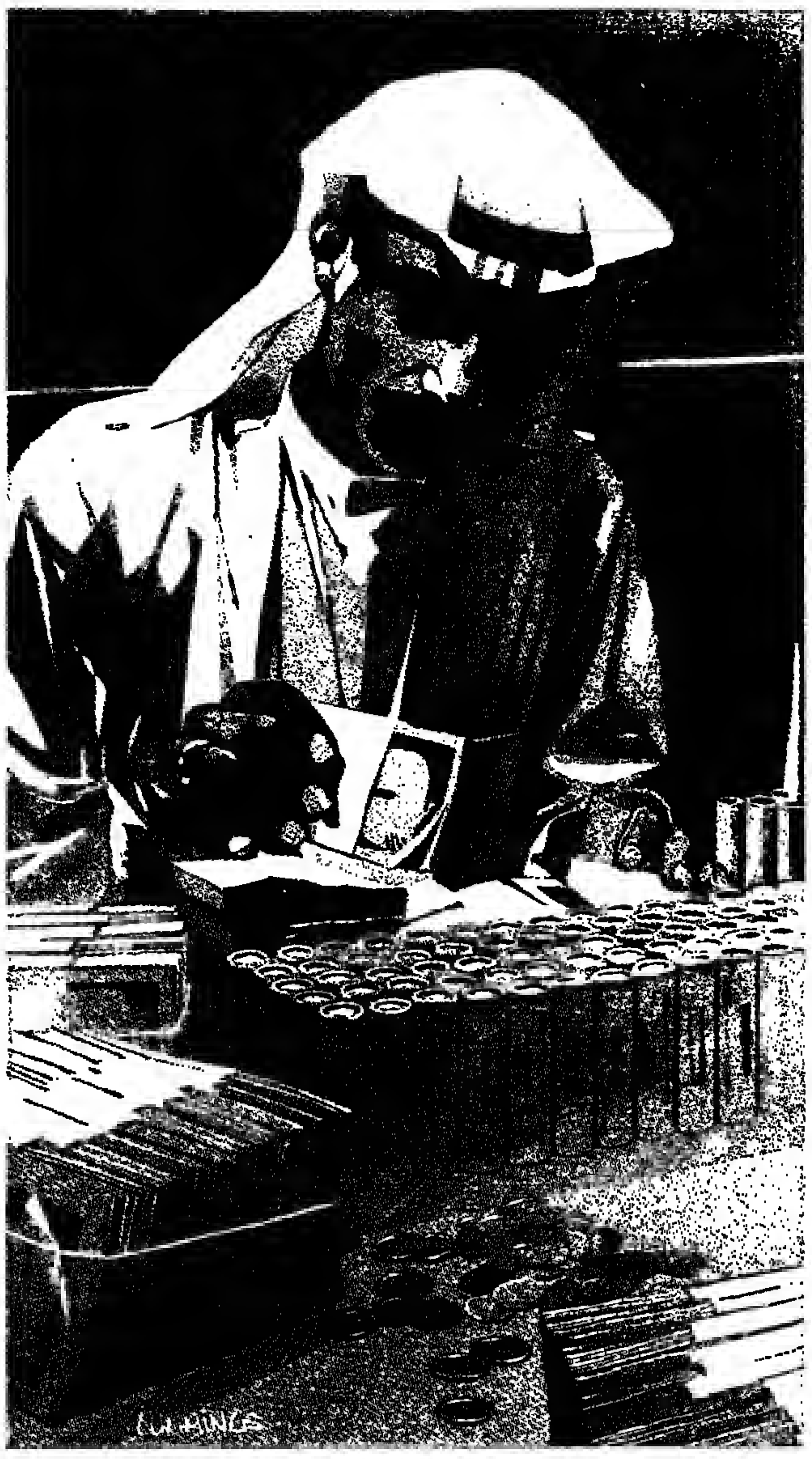
The FT/S&P Actuaries World Indices are owned by The Financial Times Ltd., Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by The Financial Times and Goldman Sachs in conjunction with the Institute of Actuaries and the Faculty of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY NOVEMBER 24 1995 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	THURSDAY NOVEMBER 23 1995 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (82)	183.60	-0.2	174.59	117.75	135.36	165.67	0.0	3.96	184.16	174.70	117.18	135.36	165.67	191.01	157.95	166.22
Austria (27)	171.53	-0.2	162.94	109.89	126.32	126.24	0.0	1.33	171.93	163.08	109.39	126.35	126.27	199.28	157.49	177.22
Belgium (35)	198.91	-0.2	188.94	127.43	146.48	142.89	0.1	3.86	199.34	189.08	126.83	146.49	142.76	201.12	164.78	166.79
Brazil (28)	131.94	-2.3	125.32	84.52	97.16	234.28	-2.3	1.80	135.10	128.15	85.96	99.28	239.79	180.75	88.08	170.81
Canada (100)	148.44	0.0	141.00	95.09	109.32	145.55	0.0	2.53	148.44	140.80	94.44	109.08	145.52	150.83	121.81	127.98
Denmark (33)	279.98	-0.5	265.95	179.35	206.18	208.89	-0.3	1.56	281.39	266.91	179.03	206.79	209.53	295.98	236.51	246.72
Finland (25)	214.50	1.2	203.76	137.41	157.96	190.12	1.3	1.68	211.89	200.99	134.82	155.72	187.62	276.11	171.18	163.09
France (100)	182.33	1.1	173.20	116.80	134.27	139.35	1.2	3.15	180.33	171.05	114.73	132.53	137.74	191.17	167.79	167.14
Germany (59)	159.65	0.0	151.65	102.28	117.57	117.57	0.2	2.04	159.60	151.39	101.54	117.29	117.29	167.74	155.39	139.39
Hong Kong (55)	362.78	-0.1	344.60	232.40	267.16	360.24	-0.1	4.06	363.29	344.60	231.15	266.89	360.75	389.39	277.40	345.40
Ireland (16)	256.47	0.1	243.62	164.30	188.88	224.20	0.1	3.41	256.14	242.97	162.97	188.25	224.09	260.87	195.34	199.75
Italy (58)	69.20	-0.7	65.74	44.33	50.96	82.37	-0.7	1.83	69.70	66.12	44.35	51.23	82.91	82.71	65.45	74.47
Japan (483)	143.98	-0.9	136.77	92.24	106.04	92.24	-0.2	0.83	145.29	137.82	92.44	106.78	92.44	164.82	136.95	151.44
Malaysia (108)	445.00	-0.9	422.70	285.07	327.71	435.68	-0.8	1.89	449.06	425.96	285.72	330.08	438.08	551.96	396.16	497.42
Mexico (18)	956.97	-0.4	909.01	613.04	704.73	8032.94	0.3	1.73	960.43	911.02	611.07	705.83	8012.13	2125.20	647.81	1990.50
Netherland (19)	262.62	0.5	249.46	168.24	193.40	190.14	0.7	3.43	261.26	247.82	166.23	192.01	188.77	263.99	207.80	209.73
New Zealand (14)	79.00	0.8	75.04	50.61	58.16	64.36	0.9	4.51	78.35	74.32	49.85	57.58	63.79	85.49	68.56	71.96
Norway (33)	229.11	0.2	217.63	146.77	168.72	194.48	0.6	2.15	228.73	216.96	145.53	168.09	193.36	243.79	194.51	194.79
Singapore (44)	371.42	-0.2	352.81	237.94	273.53	241.80	-0.2	1.68	372.29	353.14	236.87	273.61	242.19	414.26	313.84	370.38
South Africa (45)	371.24	0.4	352.64	237.82	273.39	296.49	0.5	3.99	369.72	350.79	235.25	271.71	295.06	376.88	281.06	331.39
Spain (38)	160.06	1.1	152.05	102.55	117.88	147.06	1.3	3.87	158.31	150.17	100.73	116.35	145.22	180.51	124.10	140.81
Sweden (47)	321.99	1.1	305.86	206.28	237.13	310.19	0.7	1.94	318.62	302.24	202.73	234.17	308.17	321.99	225.80	236.55
Switzerland (41)	230.31	0.1	218.77	147.54	169.61	182.95	0.3	1.63	230.03	218.20	146.36	169.05	182.52	230.31	158.38	160.12
Thailand (46)	153.56	0.2	145.87	98.38	113.09	149.82	0.3	2.72	153.18	145.30	97.46	112.58	149.34	184.55	130.15	167.10
United Kingdom (206)	227.77	0.4	216.36	145.92	167.74	216.36	0.6	4.04	226.83	215.18	144.32	166.71	215.16	228.33	187.07	192.95
USA (504)	245.90	0.3	233.58	157.53	181.09	245.90	0.3	2.41	245.26	232.64	156.05	180.24	245.26	246.04	182.33	184.13
Americas (650)	224.13	0.2	212.90	143.58	165.06	188.34	0.2	2.40	223.63	212.13	142.29	164.35	187.90	224.15	170.66	172.10
Europe (737)	198.03	0.4	188.11	126.86	145.83	168.34	0.5	3.06	197.23	187.08	125.49	144.94	165.46	198.02	163.04	167.55
Nordic (138)	284.49	0.7	270.23	182.24	209.50	236.98	0.8	1.86	282.43	267.90	179.70	207.59	235.60	295.02	215.79	224.42
Pacific Basin (832)	153.87	-0.8	146.16	98.57	113.32	102.25	-0.2	1.26	155.08	147.12	98.68	113.98	102.47	171.87	145.93	159.83
Euro-Pacific (1569)	172.16	-0.2	163.55	110.30	126.80	128.44	0.1	2.14	172.55	163.68	109.79	126.81	128.26	178.33	154.73	162.86
North America (604)	239.88	0.2	227.86	153.67	176.65	239.17	0.2	2.41	239.27	226.96	152.24	175.84	238.57	239.92	178.86	180.61
Europe Ex. UK (531)	177.67	0.4	168.77	113.82	130.84	139.25	0.5	2.50	176.98	167.85	112.59	130.05	138.53	179.46	145.45	150.20
Pacific Ex. Japan (349)	248.67	-0.3	236.21	159.30	183.13	219.70	-0.2	3.37	249.32	236.50	158.68	183.28	220.06	258.72	211.19	242.02
World Ex. US (1760)	173.24	-0.2	164.56	110.98	127.58	130.16	0.1	2.16	173.61	164.68	110.46	127.59	129.89	178.73	155.42	164.84
World Ex. UK (2058)	192.43	-0.1	182.79	123.27	141.71	158.32	0.1	2.07	192.57	182.66	122.52	141.52	158.09	192.78	168.46	168.03
World Ex. Japan (1781)	224.22	0.3	212.98	143.64	165.12	206.99	0.3	2.73	223.84	212.13	142.29	164.35	206.33	224.22	178.95	182.04
The World Index (2264)	195.52	0.0	185.72	125.25	143.96	163.38	0.2	2.27	195.57	185.51	124.43	143.73	163.08	195.72	165.92	170.23

Latest prices were unavailable for this edition.

هكذا من الأصل

ISLAMIC BANKING



Consensus still sought on important issues

In three decades, Islamic banking has grown into an industry with \$50bn-\$80bn in deposits, says Roula Khalaf

For decades, devout Muslims who follow the Koran's prohibition against interest were happy to leave their savings in conventional banks without asking to be remunerated.

But as oil money began to flow in the 1970s, and filled many Gulf pockets, the Islamic deposits accumulated. Some of these devout Muslims then decided they could build a business catering for depositors who, like them, shunned interest but accepted profit.

Thus was born the curious concept of Islamic banking, which has since developed into a substantial niche market with between \$50bn and \$80bn in deposits, spanning several continents and attracting the attention of western bankers.

Islamic banking began over three decades ago with Mit Ghamr, a small bank which started operations in Egypt. It gained prominence in tha early 1970s with the establishment of an Islamic bank in Dubai in 1975 and a year later the Islamic Development Bank in Jeddah.

The industry now has more than 100 banks and finance houses. Interest is banned – at least in name – in the banking systems of Iran, Pakistan and Sudan. Malaysia has implemented a parallel system, with Islamic banks operating alongside conventional ones.

Despite an impressive growth rate estimated at around 10 per cent a year, most banking done in Moslem countries remains of the conventional type. In the countries of the Gulf Co-operation Council, which groups Saudi Arabia, Kuwait, the United Arab Emirates, Qatar, Bahrain and Oman, Islamic deposits represent less than 10 per cent of the total available in the banking system.

Part of the reason is that no consensus exists among Moslem scholars on the Koran's prohibition against intarest. "God has permitted trade and forbidden *riba*," says tha Koran. The problem, however, is that *riba* is interpreted by many Moslem scholars as usury, by others as interest.

Those who insist on the latter interpretation say conventional interest-based banking forces users of capital to shoulder all the risk in a project while unjustly rewarding the owners of capital. Muazzam Ali, chairman of the London-based Islamic Banking and Insurance Institute, says the concept of Islamic banking stems from Islam's teaching that money should not be created out of money but generated by taking risks on productive investments.

Such a profit-sharing system was encouraged by Moslem scholars as a means of facilitating entrepreneurs' access to funds and helping to develop the economies of Moslem countries. Indeed, Islamic banking is at the heart of a new discipline of Islamic economics. Some Moslem economists have looked at the sorry state of Moslem economies and concluded that neither socialism nor capitalism are suited for Moslem societies. What these countries need, say the economists, is a system of their own – a kind of moral capitalism that resembles a welfare state.

In practice, however, Islamic banks were soon faced with the sober realisation that depositors, however religious they may be, had little taste for risk-taking and were not likely to stick with an institution that invested their funds in money-losing projects.

As a result, instead of investing in long-term development projects, Islamic banks have been forced to mirror conventional banking's fixed rete products which provida a predetermined rete of return in a short term. Nearly 80 per cent of Islamic funds are thus invested in short-term commodity trades and trade finance deals, where in return for a fee, a middleman – often a western bank – arranges for a trader to buy goods on behalf of Islamic banks and resell them at a predetermined mark-up.

Moslem scholars can find solace in the fact that market pressures are now forcing Islamic banks to reconsider their focus on short-term deals and seek longer-term projects. Two reasons lie behind the shift. The first is that as the market expanded and newcomers to the industry multiplied, conventional banks began offering Islamic banking products, which widaned depositors' choice and made them demand higher returns.

For example, by June this year, National Commercial Bank, Saudi Arabia's largest institution with \$18.4bn in assets, had already converted more than 30 of its 240 outlets in the kingdom into Islamic banking branches, with more conversions on the way. Bahrain-based Arab Banking Corp (ABC), the largest Arab international bank, also announced the opening of a new Islamic banking subsidiary.

At the same time, the drop in interest rates (although Islamic banks do not deal in interest, the mark-ups charged are directly linked to market interest retes) has lowered returns for the Islamic bank and the western arranger of commodity trade deals.

The trend towards longer-term transactions can be seen on the balance sheet of Saudi Arabia's Al Rajhi Banking & Investment, one of the largest Islamic banks. According to Cyprus-based Capital Intelligence, a bank research and rating agency, Al Rajhi is increasingly taking a long-term exposure. In 1994, 33.9 per cent of assets were maturing over one to five years, up from 25.8 per cent in 1992. Assets maturing over more than five years, meanwhile, went from 9.8 per cent in 1992 to 10.2 per cent last year.

The trend towards long-term projects, however, has forced Islamic banks to face up to several problems. The first is the dearth of Islamically-correct products. As Peter Bruss, an analyst at Capital intelligence, says, the challenge is that what seems a commercially viable instrument may be religiously unacceptable. "There are two forces moving in an Islamic bank: the financially educated and the religiously educated," says Mr Bruss. "Managemant is having to blend these two forces."

Leasing for international aircraft deals and other project-based finance transactions have gained prominence in the past few years. Al Rajhi, for example, is now engaged on an \$800m construction project sponsored by the Saudi ministry of education to build girls' schools in the kingdom.

To diversify further, Islamic banks are seeking western institntions to help them design new products that can pass muster with their religious boards, which must approve every transaction. A Harvard University research group is studying the industry and looking at prodnct development.

Another problem facing the industry is that while going long-term on investments, deposits remain for the most part very short-term. This creates a potential mismatch of assets and liabilities, compounded by the fact that the long-term products are not securitised and there is no interbank market to help fund daily liquidity. "The problem with longer-term finance is liquidity. You need securitisation and more Islamic products will be securitised in the future," says Duncan Smith, head of Islamic finance at London-based United Bank of Kuwait.

However, there is little agreement among Moslem scholars on what can be securitised. *Sharia* boards in Malaysia, which favour a pragmatic approach to Islamic finance, ara happy to see mortgages securitised, a move rejected in the Arab Gulf. Indeed, the main drawback for the development of the industry is the lack of uniformity and standardisation of products. What one *sharia* board regards as Islamic is considered heresy by another.

"The lack of central *sharia* authority means you cannot have standardisation across the market," says Richard Duncan of ANZ International Merchant Banking. "Without standardisation, you cannot have a market. Otherwise, if you want to trade a product, you can only trada it back to people who issued it."

This is why new products sold by ANZ and other western banks have a built-in liquidity facility, allowing the buyers to put back their shares to the western bank within a specified period.

ABC has formed a clearing company which acts as a fund that invests in Islamically-acceptable products. Banks can invest their excess balances in the clearing company for two to three dsys and receive a guarantee from ABC on the principal they put in plus the accrued profit for the period. At a recent conference in Bahrain, sponsored by ABC, Islamic banks discussed the idea of developing the concept further to create an interbank markat, although not all *sharia* boards present agreed with the structure of such a market.

Bankers say that once such a system is set up with the agreement of a few leading banks, other institutions and *sharia* boards will be encouraged to participate. This, they say, is the only way for the Islamic banking industry to develop further.

"If the industry is to grow, you need solid underpinnings as accepted foundations for this market," says Roy Salameh, executive director in charge of the Middle East at J. Aron, Goldman Sachs's commodity trading arm. "With time, effort and commitment, this will happen; otherwise, the sector will not realise its full potential."

■ **International expansion:** by Roula Khalaf

Funds scooped up by the west

United Bank of Kuwait: separated its Islamic banking unit from its main business to reassure clients

Institutions are busy tailoring products to the Islamic banker's taste

A few years ago, foreign bankers involved in Islamic banking treated it like a secret, avoiding any public discussion of their role in the market. Today, the same western bankers are eager to talk, and, in particular, to tell how different they are from the competitor next door.

Islamic banking bas definitely gone international, and London has become the bub. Institutions from Citibank to Goldman Sachs to Kleinwort Benson and ANZ Grindlays are now leading operators. Eager to attract the growing pool of funds left in Islamic banks, they are tailoring products to the Islamic banker's taste.

The involvement of foreign banks in the industry dates back to the early 1980s, when funds began to accumulate in Islamic banking institutions in the Gulf.

Because depositors left their funds to short-term current accounts, the Islamic banks had to invest this liquidity in short-term instruments while at the same time circumveoting interest. Since they lacked contacts and experience, they turned to western institutions to find homes for their money.

The westero banks were quick to accommodate this demand. Since the Islamic banks paid little or nothing at all to depositors in the early days, they were a cheap source of funds for western institutions.

Commercial banks that used to fund themselves at the London interbank offered rate (Libor), for example, could now use Islamic funds at a cost of Libor minus 1 per cent.

The western bank acted as intermediary, mostly in commodity trading deals. In return for a fee, the western bank would arrange for a trader to buy goods on the Islamic bank's behalf and resell it at a mark-up.

Islamic funds, bowever, have gradually become more expensive, causing western banks to re-adapt their role. As the Islamic depositor became more sophisticated, he demanded a higher return oo his funds, thereby squeezing the Islamic bank's margins. At the same time, more and more foreign baoks weot chasing after Islamic funds, although the numbers remain relatively small.

About 10 per cent of Islamic funds are estimated to be channeled through western banks. As a result, bankers say they can raise money from Islamic banks today at only Libor minus 1/8th.

This has led western banks to encourage Islamic banks to enter into longer-term deals with wider margins. At the same time, investment banks, whose funding costs are higher than commercial banks, have

> Foreign banks became involved in the industry during the early 1980s

become more interested in the market.

"Islamic investment is becoming more demanding and price-sensitive," says Roy Salameb, exectntive director in charge of the Mideast at J. Aron, Goldman Sachs's commodity trading arm. "Each institution has to carve a niche for itself in order to differentiate its product offering from tha other providers."

Adel Ahmed, bead of Islamic banking at ANZ International *Merchant Banking, one of the* first entrants into the market, says there are now three types of Islamic banking products in which wastern banks are involved:

■ One-off transactions where western banks originate deals and Islamic institutions take the risk;

■ Deals where Islamic banks appoint western banks to undertake commodity transactions oo their behalf and where the western bank guarantees the principal and profit to the Islamic bank;

■ Islamic fund management, where western banks raise the funds and act as fund managers.

With increased competition, western institutions involved in Islamic banking are now trying to distinguish themselves through various markating gimmicks, the tailoring of new and more sophisticated products for the Islamic banker, and the provision of a liquidity mechanism that allows Islamic banks to get back their funds within a reasonable tima frame.

Citibank, for instance, has sought to show its commitment to tha industry by planning to open a fully-fledged Islamic bank in Bahrain and *thus attract deposits directly.*

The United Bank of Knwait, a London-based institution and leader in Islamic finance, has this year separated its Islamic banking unit from its main husiness to reassure clients that funds are never mixed into one pool when invested.

With almost $400m in Islamic funds under management, UBK channels nearly half of that into deals that are longer term than trade finance. For example, through a $70m leasing fund, UBK clients receive 2 per cent more than in trade finance deals. The fund invests in low-tech equipment and UBK provides a liquidity underwriting facility, offering to buy back clients' shares if they find no other takers.

ANZ Grindlays, meanwhile, arranged for Islamic banks to finance part of Pakistan's $1.9bn Hub power plant in 1993. This year, it created a $10m revolving trade finance unit for Saudi Cable. The syndicated transaction allows Islamic banks to finance Saudi Cable's purchase of raw materials over a period of two years.

ANZ says another way for the bank to compete is through finding new markets. Thus it is using its branch network in Bangladesh, for example, to introduce Islamic products to new Islamic investors.

At Goldman Sachs's J. Aroo & Co. Islamic banking is becoming big business. "It's a natural extension of our commodity trading business," says Mr Salameh.

Now that the investment bank is established in Islamic finance, Mr Salameh says he will attempt to use the Goldman Sachs origination capabilities to leverage further on commodity-linked deals and asset-based financing and investments.

Already, the bank has used Islamic funds to finance the building of a refinery in Rotterdam. A main area of interest is pre-export financing, where the Islamic bank provides financing for delivery of a product at a later date and J. Aron guarantees to huy the commodity once it is delivered.

"We take the commodity price risk and the Islamic bank only takes the risk that the commodity will be delivered," explains Mr Salameh.

Whether Islamic banks should invest in equities has been a source of great debate amoog Moslem scholars for decades, but has oow become more widely tolerated. Although it may seem the most acceptable of products, equity investment can mean indirect dealing in interest, if a company is leveraged.

Robert Fleming, a newcomer to the industry, bas just launched a unit trust with two sub-funds, one to invest in international equities and the otber in emerging markets equities.

The trust, to be listed in Luxembourg, will be open-ended and liquid, with weekly subscriptions and redemptions, eventually becoming daily. The trust will have its own *sharia* advisory board and cater initially to Islamic institutions and large investors and eveotually to smaller retail investors.

■ **Banking regulation:** by James Whittington

Moves to standardise the systems

Outside the Moslem world there has been little enthusiasm for fully-fledged Islamic banks

Islamic banks can pose a presentatiooal difficulty to regulatory authorities in the Moslem world, especially in the Middle East and Gulf. Taken to its extreme, if one bank is recognised as an Islamic institution theo all others, hy implication, can be considered unIslamic. To enter such a debate in a region wbere many governments are trying to resist pressures from fundamentalists is a dangerous and futile exercise. Bnt for most Islamic bankers it is a crucial distinction which deserves attention, especially wben it comes to bow they are regulated.

An example of this difficulty with semantics can be seen in Saudi Arabia where the ruling family's legitimacy is based on its Islamic credentials but the economy and banking system is managed aloog western practices. Despite the fact that the two largest Islamic banking groups, Dar al Mal al Islami and Dallah al Baraka, are owned by prominent Saudis, they cannot ohtain a licence to work in the kingdom. Conventional banks are forced to report interest income as "special commission income" and the only commercial bank which actually operates along Islamic principles in tha *kingdom, Al Rajhi* Banking and Investment Corporation, conspicuously leaves out the word Islamic from its name to avoid embarrassing its competitors.

With the notable exceptions of Iran, Pakistan and Sudan, wbere the whole banking system tries to operate along Islamic lines, most monetary authorities have sbown little interest in helping develop an indigenous Islamic banking network with its own set of regulations – although few are as optight as Saudi Arabia is. This poses a dilemma for Islamic bankers who argue that the special nature of their operations contradicts the rules governing the operations of interest-based banks.

The basic objections revolve *around the religious ban on* interest, known as *riba*, in Islamic banking which means that banks are supposed to work under profit and loss agreements with depositors. This denies a guaranteed return, which is not a prerequisite for any regulator. But it also rejects any security of deposits, which is essential to any system of banking supervision. "Islamic banking and conventional banking are mntually exclusive. Yon shouldn't mix the two. When yoo do there are always problems," argues Abdel Hamid el Ghazali, a director at the Cairo-based Islamic International Bank.

Any difference in the treatment of Islamic banks in most cases is largely cosmetic. They *are forced to comply with capital* adequacy ratios, liquidity provisions, depository reserves, accounting and auditing standards like any other banks.

Moreover, few regulators would allow those in difficulty to collapse for fear of damaging both their credibility and the banking system as a whole.

In Kuwait, for instance, where the regulation of Islamic banks such as the International Investor and the Kuwait Finance House does not come under the central bank but the finance ministry the same principles apply. Although not compelled to follow the central bank's prudential regulations they in effect do and there is a tacit understanding that they would receive the same kind of support as any conventional bank if they ran into difficulties.

"The central bankers' job is to maintain a strong and prudent banking system. As long as (Islamic banks) take risk positions they have to follow our regulations," says an official at the Central Bank of Egypt, which is particularly strict on the compliance of Islamic banks. In the Egyptian accounting system the main Islamic financing techniques – Mndaraba, Musharaka and Murabaha – are all lumped together into a conventional balance sbeet as assets, which need adequate provisions, and deposits are treated as liabilities. This causes much distress to Islamic bankers who insist they are financing rather than lending facilities.

The Egyptian attitude is *partly an outcome of the big*gest regulatory failure of Islamic finance in recent years. In the 1980s so-called Islamic investment houses such as al Rayan, al Sharif, al Saad, and al Hoda Misr collected an estimated $2bn in deposits from around 600,000 Egyptians who were lured by promises of high returns.

Government-appointed auditors soon found out that the companies had been operating "pyramid" schemes – in other words they had been paying dividends from new deposits, rather than from profits generated by legitimate business activities – and in 1988 regulations were quickly tightened. While frandulent pyramid companies can flourish in any poorly regulated market the fact that these operated under the veil of Islam was particularly damaging.

As a result of the scandal, Egypt's chief religious scholar went as far as trying to legitimise pre-determined rstes of interest to try and marginalise the Islamic banks. The Mufti issued a fatwa in 1989 stating that fixed rates of interest give security to small investors. However, the three Islamic banks in Egypt – Faisal Islamic Bank, Egyptian Saudi Finance Bank and the Islamic International Bank – have rejected snch reasoning and are lobbying the central bank for special regulations which are overseen by a national Sharia Council. "Unless we are treated differently we cannot really develop our identity and products," says Abd el Latif, a director at Egyptian Sandi Finance Bank.

Despite the large amounts of Islamic financing which goes on in the Gulf, only Bahrain appears to be taking into account the special needs of Islamic bankers. It already has the bighest concentration of Islamic financial institutions, albeit mainly off-shore, and the most recent addition is a wholly-owned Islamic bank being set up by Citibank. The Bahrain Monetary Anthority has Sharia advisers to help

> Only Bahrain appears to be considering the special needs of Islamic bankers

with the auditing of the banks and a new regulatory system is being worked ont to take into account the characteristics of Mudaraba, Musharaka and Murabaha.

Bahrain also plays host to the Financial Accounting Organisation for Islamic Banks and Financial Institutions. Rifaat Ahmed Karim, secretary-general of FAOIBFI, which is made up of Islamic and central banks, along with anditors and accountants, says that the organisation has just completed a comprehensive set of accountancy practices to try and clean up reporting. "Our aim is to standardise accounting and reporting practices among Islamic banks and then persuade monetary anthorities to accept the one system," he says.

Mushtak Parker, editor of the London-based journal Islamic Banker, argues that out of all the countries which have both Islamic and conventional banks, only Malaysia has gone so far as to offer a separate identity and regulatory system for Islamic banking. Malaysia last year launched the first Islamic inter-bank and cheque clearing systems and its ceotral bank, Bank Negara, has its own in-house Shariah Council.

Outside the Moslem world there has been very little enthusiasm for fully-fledged Islamic banks mainly because of regulatory concerns. Although London, for instance, remains the capital for Islamic finance deals outside the Moslem world, its closure of the Albaraka International Bank, part of the Dallah al Baraka Gronp, in 1993 clearly demonstrates its relnctance to mix the two systems. This attitude was summed up by the former governor of the Bank of England, Robin Leigh-Pamberton, who once said Islamic banking is "a perfectly acceptable mode of investment, but it does not fall within the long-established and well understood definition of what constitutes banking in this country".

Until Islamic bankers develop their own accounting standards which are compatible with existing regulations, this attitude is likely to hinder the growth and development of a global network of Islamic banks.

■ **Glossary:** by Farhan Bokhari

What do they mean by that

Islamic finance and economics cootain many Arabic words. The following terms are among those used frequently:

■ *Halal:* practices permitted under the *sharia* – Islamic law.

> *Those who benefit from interest shall be raised like those who have been driven to madness by the touch of the devil; this is because they say: 'Trade is like interest' while God has permitted trade and forbidden interest.* The Koran, Surah al-Imran, verses 130-132.
> These are the verses from the Koran which are at the heart of tha argument by Moslems in favour of interest-free lalamic banking.

■ *Haraam:* concepts or practices forbidden in Islam.

■ *Ijara:* leasing on the basis of full risk sharing, without pre-determined interest. The individual or company which leases a product is known as *aajir*.

■ *Khums:* a Shia Moslem concept which requires believers to pay 20 per cent of their net agricultural produce or any other capital gain over a 12-month period toward charity for the poor. The payment under *Khums* is divided equally in two. One portion is *sehm-i-Imam*, money that is used to benefit Moslems in general. The other portion is *sehm-i-saadat* and is used to help *sayyids* – direct descendants of the prophet Mohamad.

■ *Mudarabah:* an agreement in which one or more of the partnars provides finance while the others contribute entrepreneurship and management to carry on a business. The profits are shared in an agreed proportion. Any losses are borne by the financiers alone in proportion to their share of the total capital.

■ *Murabahah:* asale of goods at a specified profit margin. The term is used for describing a sale agreemeot where the seller buys the goods for tbe buyer and sells them oo at a fixed price that incudes a mark-up. The payment has to be *settled within* an agreed period either in instalments or as a lump sum.

■ *Qard-i-hasan:* an interest-free loan.

■ *Riba:* interpreted to mean interest charged hy banks and other lending institutions. Islamic law forbids this. The word means "increase" or "addition".

■ *Sahib-al-maal:* the financier, especially in a *mudarabah*. The individual or institution which provides the entrepreneurship and management is the *mudarib*.

■ *Sharia:* the hody of doctrines that regulates the lives of those who profess Islam.

■ *Shirkah:* a partnership in which two or more people share tha financing and management of a venture.

■ *Ushr:* a Sunni Moslem concept which refers to the payment of 10 per cent of a believer's oet agricultural prodnce to the poor and the needy.

■ *Zakat:* a term which refers to the payment by Moslems of 2.5 per cent of their net worth toward the end of a 12-month period as part of their religious obligations. The money mainly goes to charities that benefit the poor.

هكذا من الاصل

هكذا من الأصل

■ **The Gulf:** by Robin Allen

In search of an identity

It is impossible to assess accurately the importance of Islamic Gulf institutions

Modesty is not an attribute of Gulf-based Islamic bankers. The total assets of Islamic financial institutions, they proclaim, have gone from nothing to between $80bn and $120bn in 20 years.

These assets are rising inexorably at an annual rate of 15-20 per cent, they say, and Saudi and Gulf-based customers will provide 60-80 per cent of this growth. Yet there is no evidence to back these assertions.

Gulf investors are inevitably an important source of funds in an area where the private sector is still predominantly capital-exporting.

The lack of reliable data from the banks encourages hyperbole from bankers about the size and growth of funds invested "Islamically". In the Gulf there are as many interpretations of what is a genuine Islamic financial product – one that does not at any stage rely on income from *riba* (interest) – as there are Islamic bankers.

based outside the GCC, and the total asset figure for Islamic banks operating with Gulf money could be $80bn.

That is still a long way from the extravagant figurea claimed by Gulf Islamic bankers. According to one manager of a conventional bank's Islamic unit, even $80bn is "still less than 1 per cent of total [Islamic] banking assets world-wide".

Demand for Islamic asset-backed financing from GCC-member banks is growing, particularly in the other Moslem countries in the Middle East and Asia which are Gulf banks' natural markets. Islamic financial instruments have genuine appeal to Moslem investors disenchanted with conventional banking methods. Many techniqnes are reminiscent of traditional merchant banking methods, such as *istisna* (working capital and pre-production financing), *ijara* (leasing and hire purchase) and equity raising.

Matloob Khan, senior manager of KFH's international division, says that no uniform "Islamically-correct" formula has yet been found to structure leasing and other products to take account of inflation, the rising costs of imported equipment and exchange rate fluctuations.

Islamic banks and financial institutions[1] in 1993

Region	Number of banks	Paid-up capital (US$m)	Total deposits (US$m)	Total assets (US$m)
Middle East	8	250	5,146	7,228
GCC[2]	14	1,278	13,175	13,975
US & Europe	3	38	654	142
South-east Asia	23	108	694	918
Africa	24	29	1,283	1,546
Total	72	1,703	20,942	23,807

1 Excluded are: Islamic Development Bank and Islamised banking systems of Iran and Pakistan. These institutions would add about $53bn in assets; 2 Gulf Co-operation Council

Source: International Association of Islamic Banks

"Leverage of 30-40 per cent is acceptable to some Islamic banks," says Mr Mubarak al-Othman, an investment manager at Kuwait Finance House (KFH). "But *sharia* committees will always give different opinions."

On this basis it is impossible to assess the performance and growth of Gulf institutions that call themselves "Islamic". According to the most recent figures from the International Association of Islamic Banks (IAIB), the global assets of all Islamic banks and financial institutions amounted to only $24bn at the end of 1993. Total assets of Islamic banks in the states of the Gulf Co-operation Council (GCC) – Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the UAE – were $14bn.

IAIB's figure of $24bn excludes the assets of the Jeddah-based Islamic Development Bank, which is owned by more than 40 member governments of the Organisation of Islamic Conference. It omits the Islamised banking systems of Iran and Pakistan, too. These three sources together would add $53bn to the global total, bringing it to $77bn.

The $24bn total also understates the real position of GCC banks. The assets of Saudi Arabia's al-Rajhi Banking & Investment Corporation alone stood at some $8bn at the end of last June.

Other Gulf banks including KFH, Dubai Islamic Bank, Qatar Islamic Bank, Faysal Islamic Bank of Bahrain and Bahrain Islamic Bank, have total assets amounting to another $8bn. Add in the predominontly Saudi-funded assets of the Geueva-based Dar al-Maal al-Islami Trust and other Gulf-funded institutions

Al-Rajhi is by far the largest Gulf Islamic bank in terms of assets, although it does not have a large international presence. KFH is second-largest in terms of assets. It is majority-owned by the Kuwait government. Most of KFH's operating income comes from traditional *murabahah* trade financing, *istisna* and *ijara*. Much of its leasing income is derived from properties it manages on behalf of individuals indebted to the government. As a result KFH is the largest property owner in the country.

Like KFH, Dubai Islamic Bank is the offspring of the trading acumen of the city state that is its bome. It is majority-owned by the prominent Lootah family.

The International Investor (TII), the Kuwaiti brainchild of its chairman and managing director Adnan al-Bahar, is still only three years old. Mr al-Bahar is described by one fellow banker as "an unwavering publicist for the concept of Islsmic banking". TII's total assets are only $68m, with off-balance sheet funds under management of another $764m.

Faysal Islamic Bank of Bahrain and Islamic Investment Company of the Gulf are innovative members of the Dar al-Maal al-Islami group. The Islamic banking division of Arab Banking Corporation (ABC) is another innovator. It has set up an *Islamic clearing* accounts company which it bopes will be the Islamic answer to the Western inter-bank market. According to Mr Abdelhak el-Kafsi, the executive director of the division, ABC will soon open a wholly-autonomous Islamic bank capitalised at $100m.

PROFILE Islamic Investment Company of the Gulf

Western ethos, Islamic techniques

The Islamic Investment Company of the Gulf (IICG), a small Bahrain tax-exempt company, is a competitive and open-minded Islamic bank. One Bahrain-based banker describes it as "an innovative broker tailoring new products and doing what many Islamic banks should have done years ago".

Iqbal Khan, IICG's general manager and chief operating officer, brings American and British investment banking experience to his job. He says he tries to apply the best practices of Western investment banks like Goldman Sachs and Lazards to IICG.

Many Islamic financial institutions hide their strategic weaknesses bebind a curtain of self-righteous platitudes about spiritual ideals. In contrast IICG's "Swot" list – its analysis of the strengths, weaknesses, opportunities and threats confronting it - is a professional assessment of its competitive position.

IICG is the wholly-owned investment banking arm of the Bahamas-registered and Geneva-based Dar al-Maal al-Islami Trust. The trust was founded by Prince Mohamed al-Faisal al-Saud who is also the chairman of IICG. Prince Mohamed is the elder brother of Saudi Arabia's foreign minister Prince Saud al-Faisal.

The bank's Bahrain beadquarters and Saudi ownership ensure that it is firmly rooted in the Gulf. But IICG will chase business wherever it can find it.

Many Islamic banks lack skilled young managers and are run by ageing boards steeped in conservative tribal ethics. But IICG shows signs of fulfilling all tha three main criteria essential to any financial institution, regardless of religion: a strong capital base; a clear and realistic strategy laid down by a board that knows what it wants; and an alert and able management.

Mr Khan describes IICG's religious board as a "mirror". It reflects, he says, both the demands of Islamic investors that financing be "interest-free and asset-backed", and the needs of the bank and its western and Islamic corporate clients. IICG likes to emphasise the speed of its decision-making process. It promises to approva or reject funding applications no more than seven days after completing its risk analysis.

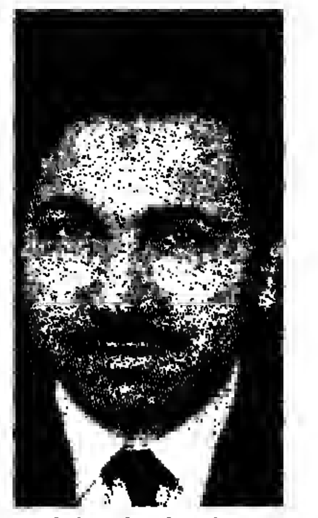
IICG has five strategic business units. Its finance and syndications division works with European export credit agencies, conventional banks in the US and Europe and Islamic banks to structure and finance leasing arrangements, asset-backed trade and commodities transactions . Its corporate finance group advises on mergers and acquisitions, valuations and restructurings. Its capital markets and treasury group specialises in equity investments in emerging markets,

Islamic Investment Company of the Gulf (Bahrain) (US$m)

Financial year ending December 31	Total assets	Total funds under management	Total equity	Net profit	Return on equity (%)	Return on assets (%)
1991	33.47	645.87	26.32	6.18	23.48	18.46
1992	30.47	1,156.59	27.51	1.18	4.33	3.91
1993	30.17	959.66	29.07	1.56	5.37	5.17
1994	43.01	794.46	41.00	11.93	29.10	27.74

Source: Investment Bankers

Prince Mohamed al-Faisal al-Saud: founder of the IICG



Iqbal Khan: describes the religious board as a mirror

particularly Islamic countries, and in the underwriting and distribution of international public offerings. This group is supported by a marketing unit.

Finally, the bank's geographical priorities are underlined by a unit targeting the Asia-Pacific region.

Last year the bank mada profits of $11.9m, giving a return of 29 per cent return on equity and 41 per cent on shareholders' funds. Its assets under direct management totalled $794.5m. During the year IICG structured or syndicated transactions worth more than $500m in the US, Canada, Europe, Asia and the Middle East. The deals were madc using Islamic techniques like *murabaha* (cost-plus trade financing); *bai-salam* (purchase and sale for forward delivery); *istisno* (working capital finance); and *ijarah* (fixed term leasing). It has used these and other Islamic techniques to secure deals worth $1bn in oil, construction, imports, aviation and railway-leasing, mostly in tha Indian sub-continent and in Asia.

IICG has had a Bahrain investment banking licence since 1983. It is only in the last three years that it bas been an aggressive investment bank.The bank now has a staff of 27.

In 1993 and 1994 IICG's funds under management declined as it moved the booking of retail funds to the Bahamas. Mr Khan says: "We wanted to segregate our franchises. We are not equipped to handle retail funds. Our job is to concentrate on corporate money and the asset management of large private investments."

Mr Khan believes that the development of Islamic banking is hampered by a lack of shared institutions like an inter-bank market. "Individual Islamic banks operate within different regulatory, tax, legal and cultural frameworks."

IICG is working to counter these deficiencies. It has plans for a secondary market in asset securitisations. It is developing an Islamic personal equity plan. And it aims to create medium-term money througb insurance-linked investments known as *takaful*.

The bank bas set itself a target of a 30 per cent annual risk-adjusted return on capital. Last February IICG's paid-in capital was increased to $30m. As a result the 1995 return on capital is expected to fall to 24 per ceot, and rise to 25 per cent oext year.

Robin Allen

■ **The status of Friday:** by Farhan Bokhari

Call for working week to be redefined

People who have dealings with the west on Fridays are seeking a change to the weekend

O ye who believe, When the call is proclaimed to prayer on Friday, Hasten earnestly to the Remembrance of God, and leave off Business: That is best for you, If ye but knew. And when the prayer is finished, then may ye disperse through the land, And seek of the bounty of God: and celebrate the praises of God, Often, That ye may prosper.

The Koran, Surah Al Juma'a, verses 9-10.

Millions of Moslems around the world shut down their businesses on Friday, the Islamic day of rest, to seek blessings from God and to deal with their weekend chores.

> 'We have to realise the economic consequences of closing down everything on Fridays,' says Tariq Saigol

But it is an awkward time for those businesses which have dealings with the western world where the weekend arrives a day later.

As a result, the working week of these businesses is reduced by a fifth.

Driven by their need to do more business, many business people in countries such as Pakistan are reviewing the interpretation of the Koran to argue for a change to the weekend.

The relevant verses of the Koran appear to support their argument that Friday was not meant to be a complete day of rest.

The command which says, "When the call is proclaimed to prayer on Friday, Hasten earnestly to the remembrance of God, and leave off business" in itself suggests that Islam allowed Moslems to go abont their normal life before and after the prayers.

Tariq Saigol, a leading Pakistani industrialist and president of the Lahore Chamber of Commerce, the country's second largest business chamber, backs the call for the weekend to be changed.

"We have to realise the economic consequences of closing down everything on Friday. Whoever wants to pray should go to pray on Friday," he says.

Business people such as Mr Saigol have urged successive Pakistani governments to cbange tbe weekend and return to the previous practice of shutting down the country on Sunday. But their task is difficult.

The change was announced in 1977 when the government of Zulfikar Ali Bhutto, the late prime minister, was on its way out and faced an intense opposition campaign backed by religious groups.

The change, along with prohibition on the sale of alcohol, was announced to tone down the opposition. Now, reversal of that decision could well invite stiff resistance from Islamic groups.

Even Islamic scholars agree that, in theory, there should be no opposition to such a change.

However, in practice, the issue is capable of arousing strong passions for cultural and social reasons, the Islamic scholars argue.

Khurshid Ahmed, a leading scholar on Islamic finance and economics, says: "What the Koran says is pray for the Jummah (Friday), before that and after that, you can have economic relationsbips and personal dealings. It's not a qnestion of *fiqh* (religious jurisprudence), it's a question of tradition, it's a question of convenience, it's a question of culture."

Mr Khurshid also says there is no need for the change on economic grounds as it would "not make any material difference to the economy".

He is convinced that if the United States and Japan can emerge as large trading partners despite their time difference, there is no reason why businesses in countries such as Pakistan should suffer as a result of the time difference.

"Today, wben America is operating we are sleeping. Yet, because of information tecbnology communications systems such as E-mail are still operating and dealings are continuing. These questions of cbanging the weekend are therefore becoming irrelevant," Mr Khursbid says.

Some government officials in Pakistan are sympathetic to the demand from businesses, but they add that any change would force the government to tread on an extremely sensitive issue which would only stir passions.

Malaysia: by Kieran Cooke

Two systems exist side by side

More than 30 institutions in Malaysia offer Islamic banking services

Walk into many banks in Malaysia and there are two separate channels for customers. On one side is the conventional banking area: on the other side is a separate window for those who want to carry on their banking according to Islamic principles. The two systems, one based primarily on the concept of interest while the other firmly forbids any interest element, exist in parallel.

To some in the Moslem world, Malaysia is at the forefront of Islamic banking. It has had an Islamic banking system in operation for more than 20 years. It offers a variety of Islamic financial instruments. Islamic institutions are actively involved in Malaysia's stock market, the biggest in south-east Asia.

To others, mainly groups of Islamic economists based in Pakistan, India and the Middle East, Malaysia has not implemented a true Islamic financial system. The mere existence of parallel banking counters, one conventiooal, one Islamic, would cause apoplexy to many of these more conservative Moslem scholars.

"The trouble is very few Islamic countries are preoccupied with economic development," says one Malaysian Moslem and a leading financier. "In Malaysia we are determined to expand our economy but at the same time we believe we can also operate according to Islamic principles. Progress and Islam are not incompatible. Neitber are Islam and capitalism. Islam is not rigid. We must push forward."

Anwar Ibrahim, the finance minister and deputy prime minister who was once imprisoned for what were seen as his radical Islamic ideas, says Moslems must be able to compete in the banking sector as in other areas. They must respond to cbanges in the financial world. "In implementing Islamic principles in banking and finance, we must address subatantive issuea rather than be always preoccupied with terminology and semantics," says Mr Anwar.

About 55 per cent of Malaysians are Moslems, most of them Malays. While the country's constitution recognises the primary position of Islam it also guarantees freedom of worship for the other races, mainly Chinese and Indians. The development of the rountry's Islamic financial system is tied up with its social and economic policies.

In the early 1970s the governmeot, traditionally controlled by the Moslem Malays,

Dr Mahathir Mohamad: wants Malaysia industrialised by 2020

embarked on a radical policy aimed at redistributing the rountry's wealth. The Chinese, who make up about 35 per cent of the population, had controlled the bulk of economic activity. In the aftermath of serious race riots and in a bid to eradicate poverty the government brought in a series of policies which gave the majority Malays preferential treatment in a number of areas. These included preferential shares allocations and other schemes to give Malays a greater share in the economy.

The results of what amounted to an attempt at social engineering have been mixed. The incidence of poverty has dropped significantly. According to official figures the Malay share of corporate wealth increased from 2.4 per cent in 1970 to about 20 per cent in 1990 – short of a government target of 30 per cent by that date.

Malaysia is a nation in a hurry. Dr Mahathir Mohamad, the prime minister, wants the country to be fully industrialised by 2020. To achieve that goal, gross domestic product has to increase by about 7 per cent in each of the next 25 years. In each of the last seven years GDP has expanded by around 8 per cent.

From when he became prime minister in 1981, Dr Mahathir stressed all Malaysians, of whatever race or religion, must be involved in this fast-track development process. In 1983 parliament passed the Islamic Banking Act to form Bank Islam Malaysia (BIM), primarily to offer Moslems with reservations about conventional banking the opportunity to participate in the growth of the country's financial system. The bank's memorandum of association says "all businesses of the company will be transacted in accordance with Islamic principles, rules and practices"" Today BIM, majority government owned, has more than 70 branches throughout Malaysia. This year its pre-tax profit rose 40 per cent to M$59m (US$23m) – still small compared to the M$1bn pre-tax profit of Maybank, the country's largest financial institution, but still considered respectable by most analysts. BIM's deposits and assets now stand at M$2.87bn and M$3.25bn respectively.

BIM has been a world pioneer in introducing a comprehensive range of Islamic financial instruments: in 1983 Malayaia became the first country to issue government bonds on an Islamic basis. In 1985 BIM set up Syarikat Takaful Malaysia, the world's first Islamic insurance company. The issuance of Islamic corporate bonds started in 1990 wbile tbe introduction of Islamic Acceptance Bills and the launch of an Islamic export credit refinancing facility followed soon after.

In 1993 Malaysia took a further pioneering step when it introduced its dual banking system, with conventional banks being allowed to offer service based on Islamic principles. For Jaffar Hussein, the former governor of Bank Negara, the central bank, the new system was the realisation of a dream.

"My dream is that I will be able to see a fully-fledged Islamic financial system in Malaysia, functioning side by side with the conventional system," said Mr Jaffar. "Bank Negara has already put into train tbe programme to achieve this objective and Malaysia will be the first country to have a dual system of banking and finance, one conventional and the other Islamic, both equally sophisticated and modern."

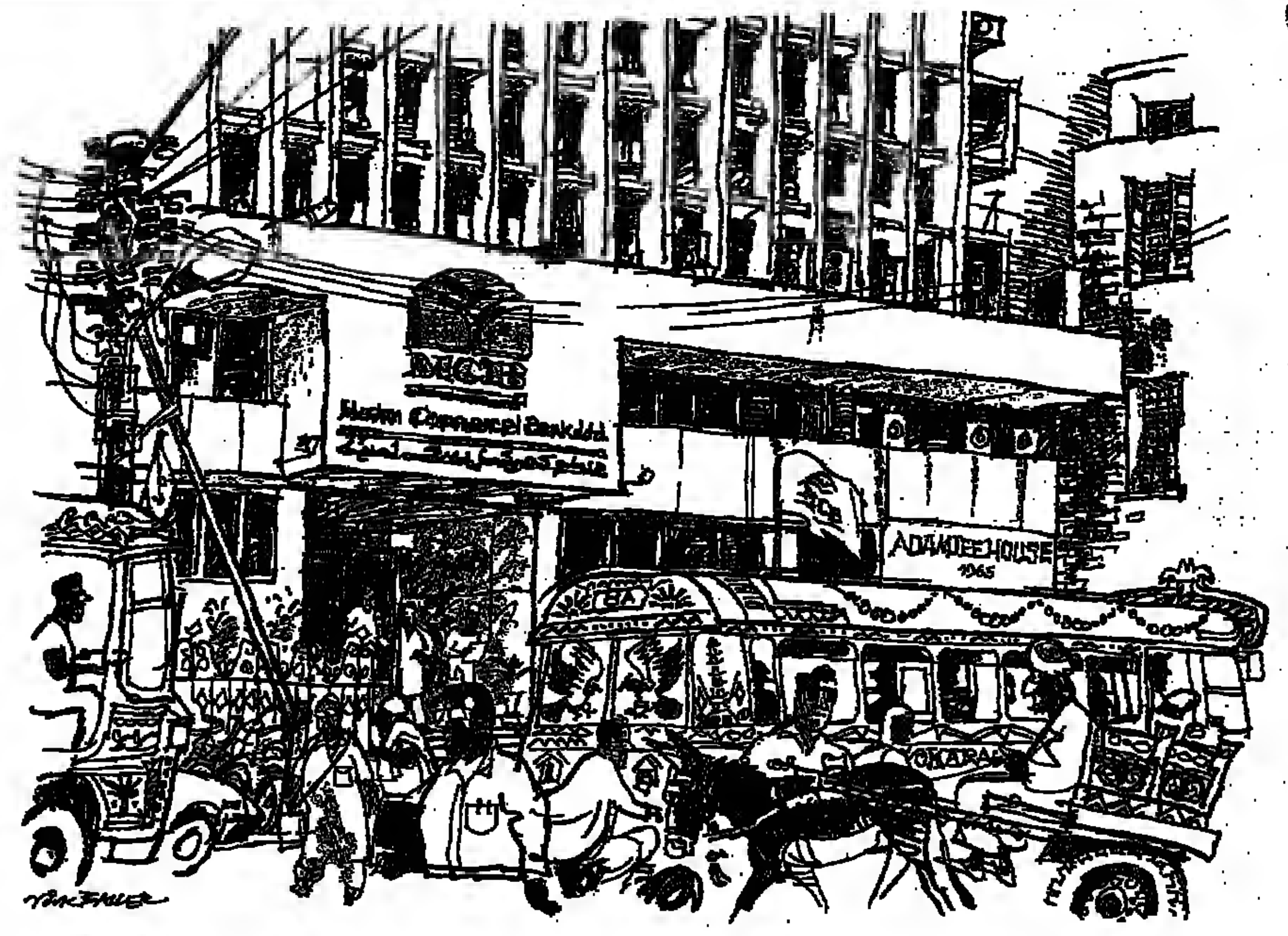
Today, more than 30 commercial banks, marchant banks, finance companies and co-operative banks in Malaysia offer Islamic banking services. Some are domestic banks majority-owned and managed by non-Moslems. Others, like Standard Chartered, are foreign institutions.

Last year BIM opened a securities offshoot. Again, all business has to be transacted according to Islamic principles. This means that investments can only be made in stocks which are deemed acceptable by a team of Islamic banking scholars.

No investment is allowed in banks that offer interest-based banking and conventional insurance – even though such banks might also be offering Islamic banking services. Nor are investments allowed in companies involved with gambling, alcohol or non-*holal* products. This rules out investment in many of Malaysia's biggest companies, including some controlled by Moslem Malays.

Abdul Halim Ismail is chairman of BIM's securities operation. He feels Islamic financial services have succeeded in Malaysia because the system has been based not just on theory but also on the practice.

Mr Abdul Halim rejects the view sometimes expressed hy non-Moslems that the difference between Islamic banking and financial services and conventional banking has more to do with semantics than with actual practice. "It is like being married according to religious practice or not. To the outsider it might look the same but to us Moslems it is very had to live together unmarried. One is according to our law, the other is not. It is the same in banking."



Pakistan: by Farhan Bokhari

Interest habit hard to break

Tradition and existing debts block progress towards an Islamic banking system

Many radical Moslems see the success or failure of their efforts to Islamise the Pakistani economy as a key test of their effectiveness. It will be a difficult task. After years of interest-based practices, Pakistan's commercial banking inclines to western concepts rather than the *riba* or interest-free Islamic model.

Pakistan's Islamic authorities do not discourage supporters of Islamic banking. Three years ago, for example, the federal *shariat* court, the highest Islamic court in the country, ruled that interest-based transactions do not conform to Islamic law and are forbidden.

That proscription was subsequently blocked. Tha government of Nawaz Sharif, the prime minister of the time, appealed to the Pakistani supreme court against the decision on the grounds that the country could not change its financial practices to comply with it. The case will be heard again as a result.

Khurshid Ahmed, a Pakistani economist and the country's leading proponent of Islamic banking, says: "We are not the least bit discouraged. We had never thought it would be a straight road ahead." He claims that the "exploitative" nature of interest-based commercial banking has convinced many people of the benefits of Islamic banking.

The movement he leads has had mixed success. Institutions acceptable to advocates of Islamic banking, such as leasing companies and *mudarabah* groups (see Islamic financial glossary) have grown rapidly. Commercial banks in theory have adopted a system of profit and loss sharing. In practice the return to depositors is still based on a pre-determined rate, known as the "mark-up". Borrowers pay interest according at a pre-arranged rate too.

Mr I.A. Hanafi, a former governor of the central bank, says that while the establishment of 33 leasing companies and 57 *mudarabah* institutions during the past two decades represents progress, the banking system needs further reform. No radical changes will be possible until banks regain public confidence.

Many bankers are worried hy a large build-up of bad debts owed to the public sector. The figure is estimated at Rs80bn ($2.28bn) or more.

The government's two-year effort to resolve the problem has produced few results. Less than ten per cent of the debts have been recovered or rescheduled. Most of the loans were mada as political patronage to influential clients after banks were nationalised in the early 1970s by the socialist government of Mr Zulfikar Ali Bhutto, tha late prime minister. Many borrowers have defaulted repeatedly since then, encouraged by a lax legal system that has failed to punish offenders.

Banking analysts want the government to keep closer track of the country's newly-emerging private banks, as a step towards protecting clients' interests. Five years ago the government began issuing licences to private commercial banks. One in 10 has been shut down with its chief operating officer sent to jail on frand charges. Mr Hanafi says: "Unless we reform society and try to be better Moslems, it is not possible to introduce full Islamic banking. Islam cannot be practised in tit bits."

Badruddin Khan, president of Karachi-based Schon Bank, a private commercial hank,

> Banking analysts want closer supervision of private banks

says that the Islamic banking movement needs to convince people that its banking style will benefit them. He says: "If yon can demonstrate that there'll be better results for the common man, then people will welcome Islamic banks."

Other bankers fear that Islamising the banking system could increase tensions between Pakistan and the outside world.

Besides, many argue that Pakistan would have to pay interest on its crucially-needed foreign loans, even if there are changes in the domestic banking structure.

Iqbal Hasan, a former banker with Citibank who heads a new brokerage house in Karachi, says: "We cannot live in isolation as far as the external funding requirements of our country and our projects are concerned. Wa have to accept that these cannot be satisfied in the way that we like, in the form of Islamic banking, and they will have to be met by pure Western commercial banking methods."

Mr Ahmed defends Islamic banking forcefully against its critics. He says that many of Pakistan's banking prohlams are the result of flaws inherent in an interest-based system. He adds that Islamic banking will bring "a new basis for the relationship between entrepreneur and capital which would be on the basis of equity sharing".

Mr Ahmed hopes that the international situation will eventually change for tha benefit of countries that aeek to avoid paying pre-determined interest rates.

He believes that recent setbacks to the expansion of derivative securities markets have created new opportunities for equity investments.

He hopes to elahorate his arguments in a report to be prepared hy a group of economists and bankers who met at a recent conference in the UK to explore possihilities for co-operation between traditional and Islamic banks. He looks forward to the opportunity of working with scholars from other parts of the world, especially as a way to clear up some of the "misapprehensions" about Islam. He says: "Certain lobbies are trying to portray Islam as a threat, which in my view is totally unfounded.

Islamic banking institutions

Bank	Country	Year ended	Total assets (US$000) Current	Total assets Previous	Total capital (US$000) Current	Total capital Previous	Total deposits (US$000) Current	Total deposits Previous	Net profit (US$ 000) Current	Net profit Previous
Al Rajhi Banking and Investment Corp	S Arabia	12/94	7,710,993	7,636,446	1,101,295	1,032,862	6,178,280	6,236,215	262,073	239,627
Islamic Development Bank	S Arabia	6/94	5,054,410	4,732,976	3,389,560	3,189,551	98,136	92,512	84,140	103,351
Kuwait Finance House	Kuwait	12/94	4,272,824	3,872,730	227,526	196,831	3,603,019	3,272,496	51,556	39,156
Muslim Commercial Bank	Pakistan	12/94	3,205,996	2,497,995	79,905	62,052	2,852,032	2,244,928	8,214	4,843
Faisal Islamic Bank	Egypt	6/94	1,571,595	1,556,110	55,446	56,432	1,414,997	1,418,887	–	–
Allied Bank of Pakistan	Pakistan	12/94	1,540,824	1,382,974	23,849	21,376	1,430,730	1,308,437	2,863	2,636
Dubai Islamic Bank	U.A.E.	12/94	1,491,592	1,379,900	84,406	72,434	1,380,860	1,282,959	6,829	4,005
Bank Islam Malaysia Berhad	Malaysia	6/94	1,142,562	739,159	81,563	76,121	1,018,141	631,193	9,272	6,795
Qatar Islamic Bank	Qatar	12/94	876,486	836,573	52,308	42,904	670,646	687,614	11,684	8,507
Jordan Islamic Bank for Finance and Investment	Jordan	12/94	794,623	735,119	55,800	55,553	702,170	651,952	4,020	3,009
Faysal Islamic Bank of Bahrain	Bahrain	12/94	416,727	273,097	118,219	84,827	163,063	127,663	15,502	10,544
Bahrain Islamic Bank	Bahrain	5/95	378,497	348,423	36,301	35,596	334,162	305,907	3,763	3,457
Union Bank	Pakistan	12/94	256,447	179,233	22,857	20,192	218,592	151,038	3,944	4,092
Qatar International Islamic Bank	Qatar	12/94	230,941	208,918	17,706	13,710	196,520	180,409	1,820	1,682
AlBaraka Islamic Investment Bank B.S.C.	Bahrain	12/94	162,957	146,641	53,797	54,100	97,918	84,966	3,197	698
The International Investor Co K.S.C.	Kuwait	12/94	67,830	66,854	60,776	59,109	–	–	6,517	6,144

Financial statements presented in local currency have been converted into US dollars at the rate of exchange prevailing on the balance sheet date. The table is based on available information. Some banks have been omitted because of insufficient data.
Source: Capital Intelligence, Tel: +357 5 342300, Fax: +357 5 342982

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TUNISIA

The tension before the calm

The government is fighting extremist threats with a mix of economic liberalisation and political repression. Roula Khalaf looks at its prospects

Stability - that ia a cherished word in Tunisia. The people of North Africa's smallest country repeat the word as if they find it hard to believe that, sandwiched between such volatile neighbours as Algeria and Libya, Tunisia can enjoy stability.

It is this quest for stability that drove President Zine Al Abidine Beo Ali in 1987 to push aside the ailing Habib Bourguiha, the father of modern Tunisia, in a bloodless coup. In Mr Bourguiha's last years in power, Tunisia had sunk into ecooomic and political chaos, which offered fertile ground for the development of an Islamist movement.

Since the takeover, the Ben Ali regime has sought to cement stability by fighting the Islamist threat oo several fronts, some of which have brought praise, others sharp criticism. The government has pursued a relentless and successful economic liberalisation programme, continued to promote a women's rights movement which had already flourished under Mr Bourguiha, reformed the education system and designed an elaborate social safety net. On the other hand, it has resorted to a policy of repression that has extended beyond silencing the Islamists, reaching human rights activists and secular opposition groups and generating criticism from international human rights organisations.

When it comes to economic achievement, Tunisia is held up by the World Bank as a model for other countries in the Middle East and North Africa region to follow.

According to a recent World Bank report, the region's real per capita income fell by 2 per cent a year in the past decade – the largest decline in any developing region. Tunisia, however, registered average 1.8 per cent annual growth in per capita income in 1985 to 1994.

On virtually every indicator of human resources, ranging from life expectancy to school enrolment rates to infant mortality, Tunisia is considered by the World Bank as an exceptional performer. "The average Tunisian citizen lives longer, has fewer children who die, and is more likely to have basic education and be literate than in any country in the Middle East and North Africa at an equivalent per capita income," the report says. A large part of these achievements results from a commitment to female education and the provision of services and opportunities to women, says the report.

President Ben Ali has promised to amend the electoral code

Sticking to a strict reform programme under the guidance of the International Monetary Fund hut implementing it gradually produced average inflation of 4.9 per cent in the period 1992 to 1995. The budget deficit meanwhile shrank to 2.6 per cent of gross domestic product last year.

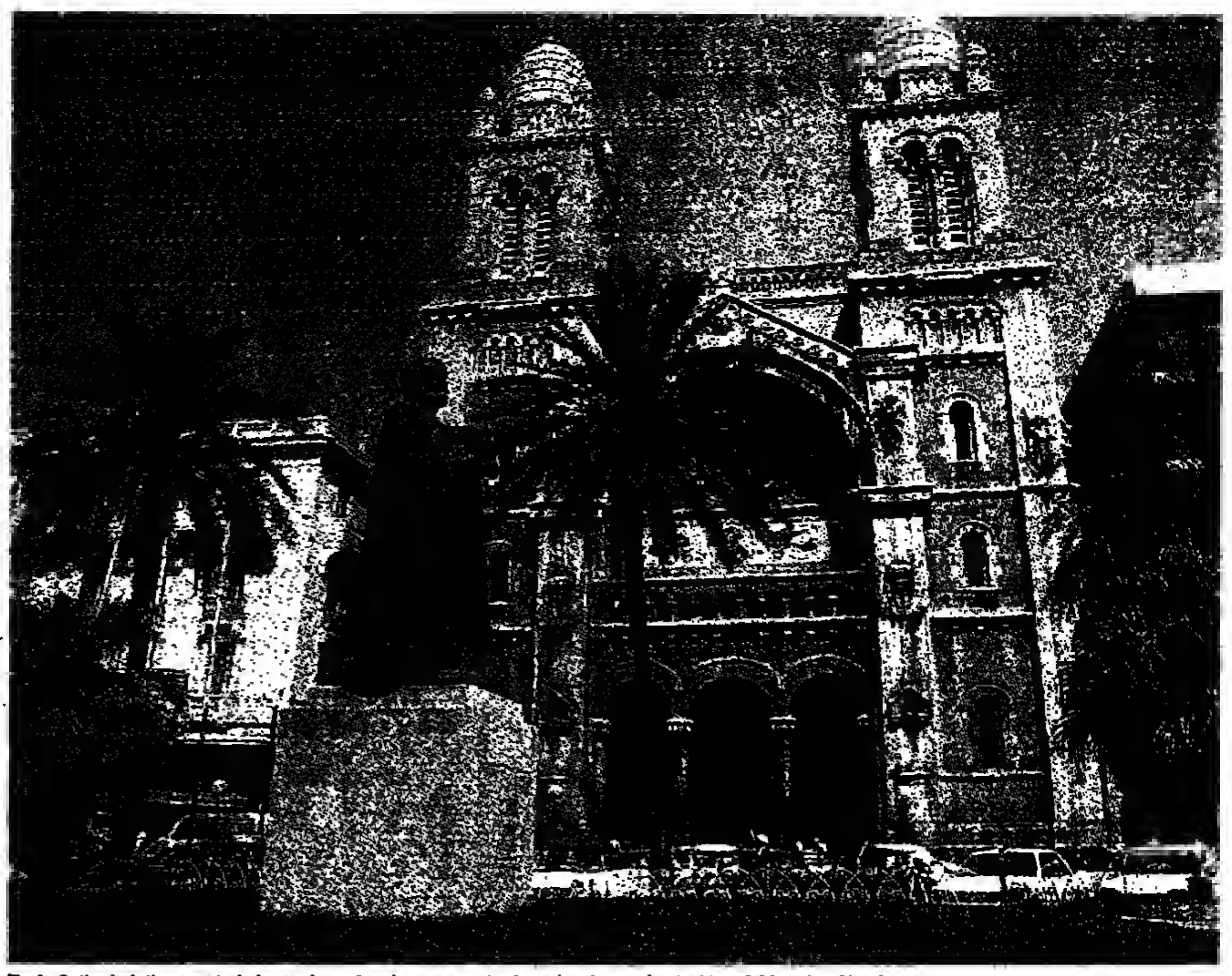
This economic performance has won Tunisia the first investment grade rating to be awarded to an Arab country by hoth IBCA and Moody's. Even more important, the liberalisation measures undertaken paved the way for Tunisia to take up the challenge of a closer partnership with the European Union.

This year Tunisia became the first country on the southern flank of the Mediterranean to sign an accord to create a free trade zone with the EU within 12 years. The partnership should provide an added sense of stability by anchoring the Tunisian economy in tha European sphere and assuring the North African country a place on the political and cultural map of Europe.

This can help alter the image of Tunisia, whose lot has often been wrongly viewed as intertwined with neighbouring Algeria, where Islamists have been fighting the government since 1992.

It is difficult to gauge the importance of what remains of Tunisia's own Islamist movement, as its sympathisers no longer dare express their views. And although domino theories of an Islamic takeover in Algeria spilling over into Tunisia are no longer regarded as credible by analysts – especially since Algeria is far from reaching that point – rating agency IBCA, for example, says Tunisia's rating would be downgraded immediately if Algeria turns fundamentalist.

The concern for Tunisia is that Islamist influence from next door may provoke just enough trouble at home to ...



Tunis Cathedral: the country's image has often been wrongly viewed as intertwined with neighbouring Algeria

Despite a successful attempt at diversification, a bad agricultural year coupled with a poor tourism season could be devastating to the Tunisian economy.

This realisation has accentuated fears of Islamism among both the people and the government and has paralysed the political system.

Tunisia's performance economically and socially sits oddly with its track record in politics. The government took over in 1987, promising a commitment to democracy, and ushered in a period of tolerance towards Al-Nahda, the Islamist movement that had been repressed by the previous regime. But the gains registered by Islamist candidates running as independents in 1989 legislative elections raised anxieties. The government moved to crush Al-Nahda in 1991 after the ... Rassemblement Constitutionnel Democratique was hlamed on Al-Nahda supporters.

A still nasceot secular opposition went along with the government at the time and the parties purged their ranks of opponents to the regime. Gradually, however, oppositioo parties say the circle of repression has widened to include them.

A report this month hy Amnesty International details a five-year history of arrests, detentions, torture and unfair trials to "punish, intimidate and silence political opponents, government critics, victims of human rights violations, their relatives, lawyers, human rights activists, journalists and others".

Opposition members point, for example, to the arrest last month of the leader of the main opposition party. The government says Mr ... side government, while party officials suspect the arrest was motivated hy a harsh letter addressed to the president and complaining that in its fight against Islamists, the government has closed down all avenues of political expression.

In 1994, Mr Beo Ali was re-elected with 99 per cent of the votes. In legislative elections the same year, the RCD took all 144 seats in the assembly before the government introduced an ameodment to the electoral code handing the opposition 19 seats. In local elections held last May, the RCD won almost all the seats, which led to charges of falsifications.

In a recent speech, Mr Ben Ali lashed out against critics of the country's human rights record and announced thet the government would amend the ... – scheduled for the year 2000 – and subsidise opposition parties now represented in government so they may broaden their support base.

Coming on the heels of a governmeot crackdown on members of the opposition and just a few months after a major disappointmeot in municipal elections, the opposition will be looking for tangible indications that the government is this time serious about reform.

RCD members who defeod the government's political record say Tunisia has a long road ahead to build the modern state envisaged hy its leaders. Thus it has no time to waste on politics. "When you're running at 200 miles an hour, you cannot afford to stop so someone can have a cigarette," is how one party member put it. ... leaders say ooe reason why Al-Nahda became so popular in the 1980s is that it emerged as the only alternative to the one-party rule that the country had lived under since independence in 1956. They argue that the secular oppositioo should be groomed to act as an alternative betweeo the Islamists and the RCD. Political repression, they warn, can hreed radicalism and turn what remains of Tunisia's Islamists into more extremist militants.

Analysts and diplomats say that it is the partnership with the European Union that will help exteod liberalisation to the political front hy transferring values of democracy and human rights. "They want to be close to the west, and they refuse all criticism and censure at the same time ...

IN THIS SURVEY

Production Editor: Gabriel Bowman

II TUNISIA

European Union partnership deal: by Roula Khalaf

The case for dropping the barriers

The free trade zone, to be phased in over 12 years, sets the country a hard challenge

The buzzword in Tunis these days is *misc a niveau* or upgrading. It refers to the huge effort under way to raise the standards of Tunisian companies so that they may survive the onslaught of European products expected as a result of the partnership deal signed with the European Union.

In a courageous move, tiny Tunisia this year became the first Mediterranean country to sign a comprehensive partnership with the EU. The deal entails political and cultural co-operation but most importantly, it creates a free trade zone to be phased in over a period of 12 years.

The deal represents the first concrete example of Europe's new Mediterranean strategy, which rests on political and economic co-operation aimed at insuring stability, the retreat of Islamic extremism and raising standards of living to alleviate immigration pressures into the European continent.

For Tunisia, the task will not be easy. On the surface, the agreement, which replaces a series of four financial protocols signed with Europe since 1976, seems an insurmountable challenge.

The EU is Tunisia's largest trading partner, representing some 80 per cent of trade. The agreement does nothing for Tunisia's principal exports, namely textiles and olive oil. The olive oil quota of 46,000 tons per year is maintained until renegotiations in 2001. The EU market is already open for Tunisian textiles, with the yearly quota of 66m trousers and 16,500 tons of cotton products maintained. Moreover, the 1976 accord already offers preferential treatment for Tunisian industrial exports.

It is only now, however, that Tunisia will truly open its doors to European products. Although it has instituted liberalisation measures under a structural adjustment programme with the International Monetary Fund, government meddling in the economy is pronounced and industry remains highly protected. Although import licences are liberalised, average tariff barriers are of the order of 43 per cent, with the maximum tariff – on luxury cars for example – reaching 300 per cent.

The dismantling of barriers will occur over 12 years. It will be phased in as follows:
1. Starting in 1996, tariffs for 12 per cent of EU imports will be dismantled. This represents mainly industrial goods not manufactured locally.
2. Tariffs for another 28 per cent of EU products, including raw materials, will be eliminated over a period of five years.
3. Another 30 per cent of EU imports, including locally manufactured products, will enter free of charge at the rate of a 12th a year over a 12-year period.
4. Tariffs for the remaining products will be dismantled after a grace period of four years and at a rate of an eighth a year.

> To compensate for lost fiscal revenues, VAT will be extended to all sectors

While industry frets about the competition, however, Tunisian officials know that if they play their cards right, the benefits of free trade will by far outweigh the harm caused by the elimination of trade barriers.

"We have an extraordinary chance to be part of a market with 350m consumers enjoying a high standard of living," says Mr Fetbi Merdassi, state secretary at the ministry of International Co-operation and Foreign Investment. "We believe we need to be export-oriented and to accomplish this we need to increase our efficiency levels."

An EU official in Tunis says that anchoring the Tunisian economy in the European sphere will serve to amortise the shocks suffered by the economy, such as the erosion of tourism receipts when a neighbouring country suffers from political instability. "It is a positive deal if only because it gives Tunisia a better image and makes it a country that Europeans will know better," he says.

In practice, for the EU accord to work according to Tunisian aspirations will require an increase in foreign direct investment, a restructuring of fiscal revenue, and a major revamping of Tunisian industry.

A World Bank study estimates that average yearly growth of 4.5 per cent can be increased by 1 to 2 per cent by doubling foreign direct investment. Such targets will be hard to achieve. Total foreign investment outside energy and including portfolio investment stood at a puny TD69m last year. Despite the grandiose hopes of government officials, western embassies in Tunis say few large foreign companies are likely to use Tunisia as a base to export goods to Europe.

Mr Nouri Zorbati, the finance minister, says the elimination of tariffs will cost the government some TD700m in lost fiscal revenues at the end of the 12 years. The loss will accumulate over the years, starting with TD75m next year, or about 2 per cent of the 1995 budget. It will be compensated by tax increases elsewhere. VAT, for instance, will be extended to all sectors, while tax rebates which now encourage investment and development of new industries will last for a limited period of time.

Probably the toughest job facing both the government and the private sector is the restructuring of industry. According to a local study written for the government, one-third of industry would fail unless restructured while another third would experience difficulties. The World Bank study says that in the short term, sectors that will register the highest productivity gains are textiles, chemistry and commerce.

In the longer term, only textiles and commerce are likely to experience increased productivity gains and thus absorb the labour and capital of other ailing sectors such as agro-business and electrical goods.

Mr Tarek Cherif, head of the Cherif Group, a conglomerate, says that Tunisian industry can never compete with the economies of scale of Europe for products made in large quantities and will have to focus on specialist items. To compensate for the loss of employment that will result from imports, Tunisians must develop niche industries. He reckons that the key to the survival of the labour-intensive textiles sector, for example, is to use Tunisian skills to target the top end of the market.

The Tunisian government insists that it will allow only companies that have the potential to compete with European products to remain afloat – but that promise will prove hard to keep given the fears of unemployment and the slow pace of privatisation. To help efficient companies survive, the government has already set up an elaborate diagnosis centre. The *mise a niveau* office in the ministry of industry will help some 4,000 companies to undergo an evaluation process to determine their needs and help find financing for restructuring.

The first 100 companies have already been selected and teams of Tunisian consultants have started visiting companies to audit their books and diagnose their problems.

The future of Tunisian industry depends on the efficiency of the upgrading programme. However, there are already signs that it could turn into a bureaucratic nightmare, as teams of consultants waste weeks studying well-managed companies which do not need the government to diagnose their problems but only help to solve them.

According to Mr Merdassi, the *mise a niveau* will require some $2.5bn over 10 years, an amount that should be financed by the EU.

The commission recognises the role it has to play to make the deal work. "We have to help Tunisia," says an EU official "because the free trade area will lead to an increase in unemployment and a decrease in customs revenues."

Help will come in the form of aid from the EU budget as well as the European Investment Bank. Funds will be targeted at helping restructure industry and financing the balance of payments to alleviate any social impact.

The EU has pledged a total of Ecu4.6bn over five years for all Mediterranean countries that sign a partnership agreement. Amounts distributed to countries are subject to review every two years and reassessed according to performance, thus putting all signatories to partnership agreements in competition for funds. According to the EU delegation office in Tunis, Tunisia will receive Ecu250m in 1996 and 1997 from the EU budget, in addition to the Ecu50m allocated for 1996 in the last protocol.

The new budget allocation is three and a half times what Tunisia was receiving under the old protocol. To these funds will be added yet to be announced project financing from the EIB.

Trade balance (in millions of dinars)

	1993	1994	1995 (8 months)
Global trade balance			
Exports	3760.0	4696.6	3378.8
Imports	6170.0	6647.3	4956.3
Deficit	-2410.0	-1950.7	-1577.5
Trade balance with the European Union			
Exports	3020.1	3741.3	2669.7
Imports	4468.4	4618.7	3401.6
Deficit	-1448.3	-877.4	-731.9

Source: Ministry of International Co-operation

The economy: by Roula Khalaf

Free market comes nearer

The government has liberalised trade and cut tax rates, but challenges lie ahead

For Mr Nouri Zorgati, the minister of finance, the creation of a free trade zone with the European Union is a natural step for the Tunisian economy.

Since 1986, under the watchful eyes of the International Monetary Fund and the World Bank, Tunisia has been slowly but effectively undergoing a transformation central bank control and set up active bond and stock markets.

The results of the eighth plan, running from 1992 to 1995, tell a favourable story while at the same time highlighting the challenges ahead. Real GDP growth averaged about 4.5 per cent during the period, below the 5.8 per cent target, and was driven by exports and gains in productivity; average inflation stood at 4.9 per cent, ahead of projections of 5.5 per cent. And fiscal discipline led to the shrinking of the budget deficit to 2.6 per cent of gross domestic product by the end of last year.

Efforts to diversify the economy have made it more resilient to outside shocks. Agriculture's share of GDP fell from 15 per cent in 1984 to 13.6 per cent last year, while manufacturing jumped from 14.4 per cent to 17.5 per cent. Although tourism accounts for only 7 per cent of GDP, its share of foreign exchange earnings has steadily grown, to nearly 19 per cent of the total last year.

"When the agricultural sector had negative growth of 10 per cent in the early 1980s, total growth was also negative and inflation was 14 per cent," says Mr Taoufik Baccar, minister of economic development. "Last year, with a similar negative growth in agriculture, we still had 3.4 per cent growth and inflation of only 4.5 per cent."

Although a significant improvement, these growth rates are not enough to absorb yearly entrants into the workforce. Against a yearly demand for new 63,000 jobs, on average only 55,000 are available. Government ministers insist that measuring unemployment accurately can only be accomplished through a census, since the jobless are not required to register with any government office. While unemployment is generally thought to hover around 15 per cent, the rate is much higher among people between the ages of 18 and 25.

According to Mr Baccar, the country needs a growth rate of opening up of the market to Europe," says Mr Baccar. A study by the World Bank says Tunisia can add 1 to 2 percentage points to GDP by attracting foreign investment of about TD200m a year outside the energy sector. Such investment now stands at only TD69m.

The Tunisian government has taken several measures to attract more investment, but the country remains hard to sell compared with south-east Asia and eastern Europe. Foreign companies complain of labour rigidities, low productivity and problems of absenteeism.

To maintain political and economic stability, the Tunisian government has been careful to develop good relations with the unions and insure that the poorer classes see an increase in their standard of living.

Government officials proudly point to the fact that there has been not a single strike in the

> There has not been a strike in

country in seven years – ("because everyone agrees on the type of society," says one official).

The flip side of that, however, is that salaries, which are negotiated every three years between the unions and the employers' federation, have risen between 5 per cent and 10 per cent annually, depending on the sector. The minimum wage, which now stands at TD154, has increased from TD120 in 1990. Although labour laws have been reviewed, dismissing staff remains a problem as employers must justify their actions before the courts.

Concern over unemployment is one reason why privatisation has moved slowly. The government also expresses fears of dismantling public sector monopolies to create private sector ones.

To meet the challenges ahead, the government is embarking on a major campaign to upgrade private sector companies with financial help from the EC by diagnosing their problems and prescribing remedies to increase efficiency and find new sources of capi- will take time, and will no doubt be painful, it may fuel a new surge of investment by local firms. Worried about its survival once European products are allowed into the market, the Tunisian private sector has shied away from investing in the past two years. Total private sector investment fell from TD2.4bn in 1993 to an estimated TD2.07bn this year.

Indeed, the success of Tunisia's commitment to liberalisation rests with the private sector. Although the sector has gradually been allowed a much larger share of production – three-quarters of manufacturing is now private – it is still looking for greater flexibility. Companies say that government concern over an equitable distribution of resources and maintaining social and political stability leads to interference at times, either to control prices or to stem the development of monopolies.

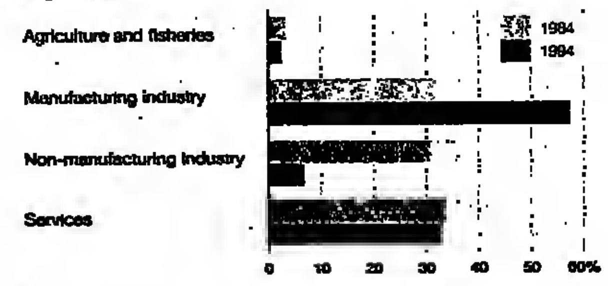
With the European Union accord eating away at customs revenues, the government will increasingly look to the private sector to take up major projects. The government has presented $250m worth of projects to build 50km a year of highways for a total need of 7,500km. For the first time, the government will allow the private sector to build and operate a $300m to $400m independent power plant, for which bids are now being accepted.

The government is also developing new avenues of financing. With the programme of structural adjustment now complete, Tunisia can no longer rely on significant amounts of multilateral agencies' aid.

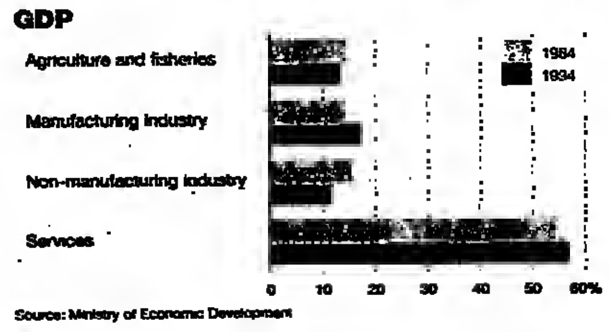
Thus, since 1994, it has raised Y85bn in five- and ten-year Samurai bond issues on the Japanese markets. Having received an investment grade rating from agencies Moody's and IBCA, Tunisia will tap the Eurobond market next year, says the finance minister.

The government's total borrowing needs are about $400m a year. With total net external debt at 40 per cent of GDP, debt service now stands at a comfortable 20 per cent of foreign exchange reserves.

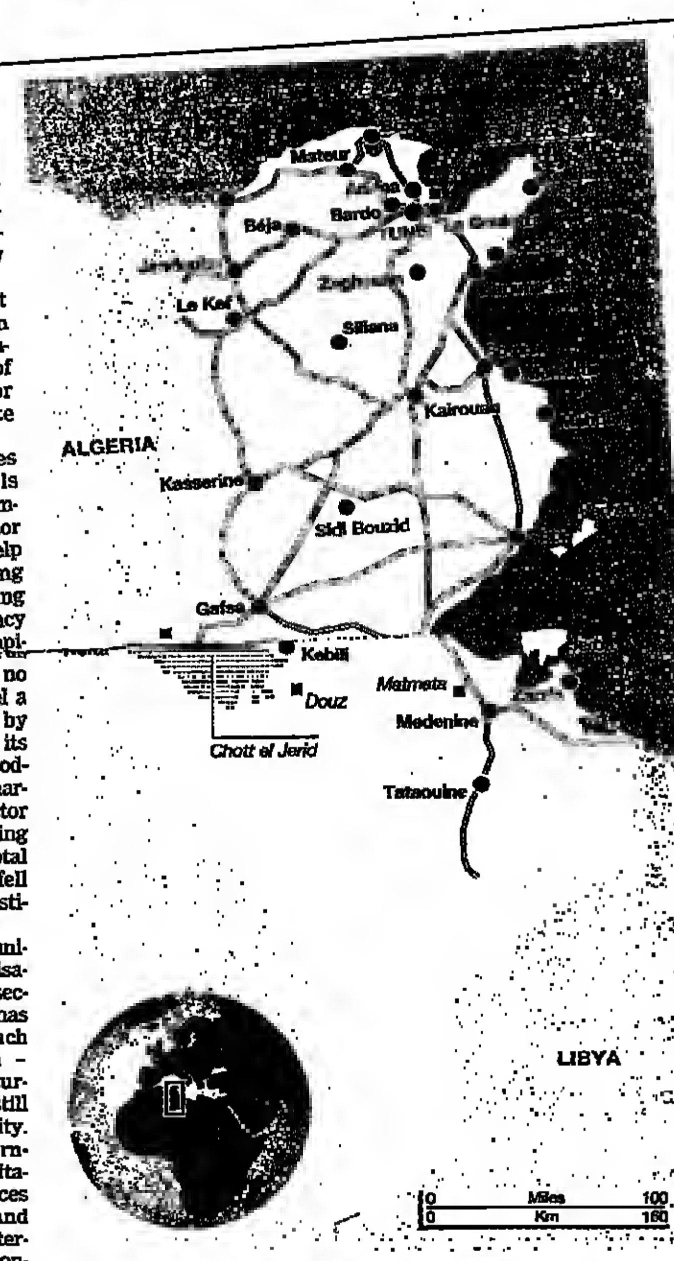
Exports



GDP



Source: Ministry of Economic Development



KEY FACTS

Area	163,610 sq km
Population	8.8 million (1994 estimate)
Head of state	President Zine al-Abidine Ben Ali
Prime minister	Hamed Karoui
Currency	Dinar (TD)=1,000 millimes
Average exchange rates	1994 $1=TD1.0116; 12/10/95 $1=TD0.9496
	1994 £1=TD1.5448; 12/10/95 £1=TD1.4932

ECONOMY	1994	1995*
Total GDP ($bn)	15.7	n.a.
Real GDP growth (%)	4.4	3.5
GDP per capita ($)	1,789	n.a.
Components of GDP (%)		
Private Consumption	61.9	
Total Investment	24.3	
Government Consumption	16.1	n.a.
Exports	44.9	
Imports	-47.2	
Consumer prices (% change pa)	4.8	6.0
Reserves minus gold ($bn)	1.5	1.4
Total external debt ($bn)	9.4	n.a.
Debt service ratio (%)	19.8	n.a.
	-0.7	-0.6
Exports ($bn)	4.6	5.3
Imports ($bn)	6.6	7.2
Trade balance ($bn)	-1.9	-1.9

MAIN TRADING PARTNERS (1993, % by value)	Exports	Imports
France	26.9	27.4
Germany	19.3	12.2
Italy	15.5	15.4
Belgium	6.5	4.3

DEVELOPMENT INDICATORS	15-20 YRS ago	Latest estimate
Population growth rate (% pa)	1.8	2.3
Infant mortality rate (per 1000 live births)	120.0	41.8
Life expectancy (years)	56	68
Population per physician	5,900	1,537
Dependency ratio**	0.90	0.73
Urban population (% of total)	49.8	56.3
Agriculture as % of GDP	18.5	15.8
Adult illiteracy (% aged 15+)	62	35

* = Latest figures - EIU estimates for 1995 except Reserves (June). ** = Ratio of dependent population (aged under 15 or over 64) to working age population (aged 15-64)

Sources: IMF, World Bank, Datastream, Economist Intelligence Unit

Guide for business travellers

Visas

Passports are required. Visas are not needed for a stay of three months by nationals of most European countries, the US, Japan, Hong Kong, most Arab and some other countries. It may not be easy to extend your visa. Extensions usually take two weeks to a month to process, during which time you will be without your passport. Once granted, they usually give three months' residence. It may be simpler to take a trip over the border to Libya or Sicily, so that you can get a new tourist stamp on re-entry.

Main cities

Population (at 1994 census):

Tunis	674,100
Sfax	230,900
Ariana	152,700
Ettadhamen	149,200
Sousse	125,000
Kairouan	102,600
Gabes	98,900
Bizerta	98,900
Bardo	72,700
Gafsa	71,100

Health

Yellow fever vaccination is compulsory if arriving from an infected area. Immunisation is recommended against diphtheria, hepatitis, polio, tetanus and typhoid. Rabies is present. Water in the main towns is drinkable, but it is advisable to boil tap water elsewhere or drink mineral water, and to wash fresh foods carefully.

Languages

Arabic is the official language, but French is also widely used. English may suffice in tourist resorts.

Business hours

Shops: There are no standard opening hours but big stores are usually open 8.30am-noon and 3-6pm in winter and 8am-noon and 4-7pm in summer.
Banks: 8-11am and 2-4pm (Mon-Thu) or 1-3pm (Fri). In the summer, banks are open only in the mornings.
Government offices: 8.30am-1pm and 3-5.45pm (Mon-Thu) or 8.30am-1.30pm (Fri-Sat). Mornings only in summer.

The weekly day of rest is Sunday, not Friday as is usual in the Muslim world. Tunis virtually closes down in August.

Public holidays

Fixed dates: January 1, March 20 (Independence Day), March 21 (Youth Day), April 9 (Martyrs' Day), May 1 (Labour Day), July 25 (Republic Day), August 13 (Women's Day), November 7 (accession of President Ben Ali).
Variable dates, in 1996: February 21 (Eid al-Fitr: end of Ramadan), April 29 (Eid al-Kabir: feast of the sacrifice).

Climate

Temperate on the northern coast, hot and dry inland and in the south. In Tunis, the hottest month is August, with the average daily minimum 21C and the maximum 33C, while the coldest month is January (6-14C). The wettest month is also January and the driest is July. Annual rainfall in Tunis is 16in, while in Sfax it is only 8in and in Bizerta it is 25in.

Etiquette

Business meetings: Formal attire should be worn. Women should wear clothes that cover arms, shoulders and legs. It is customary to shake hands on meeting and taking leave. Business cards are exchanged after introduction.
Eating out: Alcohol is freely available in towns, though less common in rural areas. The national dish is couscous – crushed wheat or coarse flour – which is steamed and served with fish or meat and vegetables, often in a strongly spiced sauce. Dishes are often served with harissa, a hot paste made from red chilli peppers. Another typical dish is the brik, a crisp fried pastry with spinach, egg, meat or tuna fish.
Tips: Hotel and restaurant staff expect 10 per cent, taxi drivers 100 millimes, hairdressers/barbers 300 millimes and airport or railway porters 300 millimes a suitcase.

Sources: EIU Country Profile 1995-96; Europa World Yearbook 1995; Statesmen's Year Book 1995-96; Tunisia – The Rough Guide 1995; Wolden Country Reports 1995; World Airways Guide 1995; World of Information 1995.

هكذا من الأصل

■ **Oil and gas:** by James Whittington

From deficit to surplus

The government is keen to back energy sector investment to meet buoyant demand

Tunisia's hydrocarbons sector is being reborn. Although oil production is expected to continue on its downward trend as the country's giant fields grow old, a new era of gas has arrived which will flip e growing energy deficit into a surplus next year.

The sector's white knight is British Gas. Having invested $600m in developing the Miskar gasfield in the Gulf of Gabes, the company switched on its taps in June ahead of schedule and under budget. Although there have been the usual teething problems, and the low quality of gas requires e lot of cleaning, 1.5m tonnes of oil equivalent a year should be on etream in 1996 and maintained until the end of the century. Commercial recoverable reserves et Miskar exceed 74bn cubic metres, giving the field an estimated life of 20 years. Furthermore, there appears to be much more gas waiting to be tapped. British Gas says it has recently discovered a similar-eized field nearby and within the company's Amilcar permit.

Although the latest developments are not expected significantly to lift the contribution to GDP of energy and utilities – last year it was 7.2 per cent – the economic impact of Tunisie's newly exploited gas reserves will be huge. Miskar alone will make Tunisia self-sufficient in gas until at least 2002. Under an agreement signed with the state's Entreprise Tunisienne D'Activities Petrolieres (Etap), British Gas will supply gas at a fixed oil-linked price to the public utility Societe Tunisienne de L'Electricite et dn Gaz (Steg) with 160 cu ft a day for the first five years and 200 cu ft a day thereafter.

Many of Tunisia's power plants and main industries have already been converted to run on either oil or gas. In 1994 gas provided some 37 per cent of total energy consumption but this will rise substantially next year.

The gas-driven domestic energy market will allow the government to cash in on more of its transit tariffs for the Transmed pipelines which transport Algerian gas through Tunisia to Italy. The fees are equivalent to 5.25 per cent of gas transported, which gives Tunisia options on some 24bn cu metres of gas a year if the two pipelines are used to their full capacity.

Furthermore, the infrastructure built for Miskar can be used to attract further developmant of smaller gasfields nearby which might otherwise be considered uneconomic. British Gas has laid a 120km pipeline from its four offshore prodnction platforms in the Gulf of Gabes to the Hannibal processing plant in Sfax, which removes nitrogen, carbon dioxide, and hydrogen sulphide. The clean gas is then passed onto power stations in Tunis, Sousse and Gabes.

Increased domestic consumption of gas will also give some breathing space for the country's labouring oil sector. Last year oil production shrank by 6.2 per cent from 1993 levels to an annual 4.87m tonnes as falling output from big oilfields such as El Borma and Ashtart was not made up by the smaller, more recent finds. Output fell by 10.7 per cent in 1992 and 1993 and is forecast to decline by a further 6 per cent this year.

The downward trend until now, along with increased domestic energy consumption, more than halved oil exports between 1992 and 1994. According to Oapec figures, oil and gas exports earned $65m last year, or 8.8 per cent of total export revenues, compared to $160m in 1992. As a result, Tunisia recorded a deficit on its oil account for the first time in 20 years in 1993.

However, it is not all doom and gloom for the future. A marginal rise in total oil output is expected in 1996 and 1997 from increased prodnction from some of the newer fields and dsvelopment work to revive production at the bigger and older fields.

At the Sidi Kilani field – which was discovered in 1989 and remains tha last major find and now the third largest oil producer – Kufpec Tunisia, e wholly owned subsidiary of the Kuwait Petroleum Corporation, has recently brought on two new wells which will increase annual output to 550m tonnes next year from 267m tonnes in 1993.

On top of this, recent discoveries such as Kebili, Ramoura and Cercina are increasing their smaller volumes. At Ashtart, Tunisia's second largest oil producer, Elf Petroleum, has finished a new floating platform this year from which 12 new wells are scheduled for drilling over the next three years. This forms part of a $210m developmant programme to maintain production at around 1m tonnes a year until 2004.

In addition to development of current working fields, there is a remarkable level of exploration activity and an air of bullishness in the sector. The feeling is thet a big discovery might be lurking somewhere under the country's geological structures. Mr Abdelwaheb Kesraoui, director-general of energy at the ministry of industry, saye there are currently 25 exploration agreements in force and 20 wells scheduled for drilling over the next 12 months.

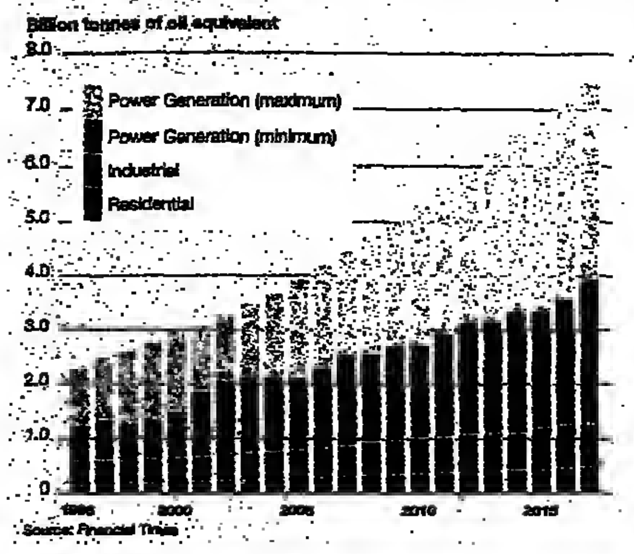
This high level of exploration activity, along with British Gas's Miskar project, has maintained buoyant investment in the energy sector. In 1995 it is forecast to be close to last year's figure of $250m. Of this, oil exploration contributes around $120m, up from $61m in 1988.

Encouraging the itch to explore for oil and gas is an already liberal investment climate which the government is constantly trying to improve.

Mr Kesraoui says that chan to the hydrocarbon code t year will allow companies offset more of their explorat and development costs agai tax obligations. It is hoped t will lure more companies in develop some of the smal fields. Before these chang Tunisia held eighth place on list of countries offering t most favourable tax systen for oil exploration which w put together by the UK Simon Petroleum Technology

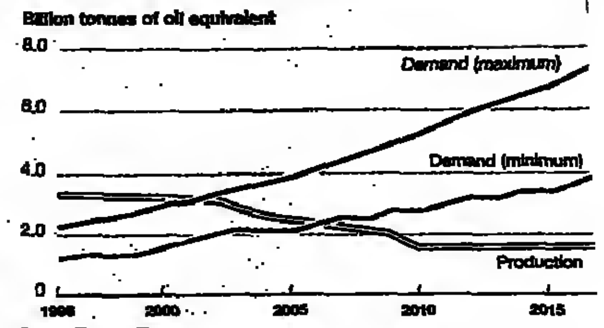
Whether or not these effor help produce the big oil fin Tunisia needs remains to b seen. But for now, in gas a least, the Tunisian governmen can safely parrot British Gas' advertising slogan: "It's goo to be in control".

Gas demand forecast



Source: Financial Times

Total gas demand vs production



Source: Financial Times

■ **Stock market:** by Roula Khalaf

Bourse starts to modernise

Privatisation has been slow but its acceleration could *add to a new class of investor*

"A total of 141,000 people bought shares in the last privatisation," says Mr Ahmed Hadouej, Tunis bourse president, prondly. It may not sound much by western standards, bnt in Tunis it is a record.

After focusing on the creation of a new class of investor, ettention in Tunis is now turning to satisfying the increase in demand on the fledgling bourse.

In downtown Tunis, the bourse is packed with people from all walks of life during its daily 75 minutes of operation. The country now counts 40 licensed brokers – 26 ectively operating – and mutual funds have raised about TD700m from the public so far.

All this money, however, is chasing a mere 25 listed companies, with a total capitalisation of TD3.6bn. Not surprisingly, the imbalance last year saw the index fly up by 102 per cent.

Luckily, the situation has stabilised a little this year. So far, the index is up only 28 per cent and it has been flat since August. "100 per cent growth can be e canse for concern," admits Mr Hadonej.

The main reason behind the lack of supply is the slow-moving privatisation process and the fact that private groups, which are often family-owned, have until recently shied away from opening up their capital to investors and thereby their books to the tax authorities.

Tunisians are inherently cautious. The most often cited description of the way they lika to operate is "step-by-step" so as not to upset the economic balance that ths government has been striving to create. In this egalitarian society, the government is careful to spread wealth evenly and to make certain that unemployment, estimated at 15 per cent, is not aggravated.

Thus, only five companies a year were privatised between 1986 and 1994. According to a report by UK rating agency IBCA, the original programme – which envisaged the privatisation of 75 public enterprises by the middle of 1992 – has met only half its target. Tunisia's public sector includes 211 companies. IBCA says privatisation should touch at least 13.5 per cent of the sector.

Mr Taoufik Beccar, economic development minister, says one concern in the privatisation has been to avoid transforming government *monopolies into private sector monopolies. Businessmen add that shedding staff, which will no donbt be required*, is another major worry.

Mr Baccar, however, insists that privatisation is now accelerating. Indeed, 15 operations will have been completed by the end of this year and at least double that amount will be privatised in 1996. The tourism sector is virtually all in private hands now. These figures are in addition to partial privatisations on the stock exchange. *At least three public* sector companies, including the state-owned Tunis Air, offered 20 per cent of their capital to the public this year.

How successful the privatisations will be in raising efficiency levels remains to be seen. Government officials admit that they are not simply looking for the best price. Bidders must satisfy several criteria, one of which is to keep a certain number of employees.

To control the rising speculation on the stock market and alleviate the pressure to privatise in order to increase supply, the government has "indicated" to private groups the desirability of their issuing shares on the stock market.

Many of these groups have proved obliging. Pressure from the government has helped them focus on the benefits of opening up their capital. Now that tax rates bave been reduced, companies are more willing to open their books to the government. Interest rates, which hover around 12 per cent at commercial banks and 15 per cent at development banks, render an equity issue all the more attractive.

Thus virtually all companies visited by FT reporters recently said they were preparing to offer up to 20 per cent of their capital on the bourse by next year.

According to Mr Hadonej, there are 89 investment companies managing some $330m created by private groups and *all are likely to come to the market. Tax incentives drive Tunisian companies to create* investment firms which inject funds into a group's various affiliates and invest in other groups. Becanse a legal framework for bolding companies does not exist, the private sector places investment firms as well as affiliates of a group on the market.

> Tunisians are cautious – they like to operate step by step

The promise of an increase in supply has allowed Tunisia finally to open up – albeit modestly – to institutional investors in emerging markets. Mindful of the hnge domestic demand, Tunisia had until June this year kept foreign investors et bay by reqniring central bank *approval for the purchase of shares on the stock exchange. Total foreign investment on the bourse barely reaches the* TD100m mark.

New legislation allows up to 10 per cent total foreign ownership in listed companies and up to 30 per cent in unlisted ones. Brokers sey the move will not amount to much in the near term. Bnt government officials have no intention of offering foreign investors e lot more. As they see it, portfolio investment is volatile and their *strategy* is to see funds moving out of the bourse invested elsewhere on the local market.

To prepare for the arrival of foreign investors, bowever limited it turns ont to be, Mr Hadonej is moving rapidly to complete his objective of upgrading the Tunis bourse to international standards. Last month, the bourse was transferred to a private company. A securities and exchange commission bas been set up to *take up overseeing the bourse from Mr Hadonej this month.*

To list on the exchange, *companies* must be at least three years old, they must have distribnted dividends for at least one year and count et least 300 shareholders. Companies that do not meet these criteria can be traded on an over-the-counter market.

The last element in the modernisation of the bourse is e move to an electronic system of qnotation, which Mr Hedonej promises will be *ready by the end of 1996.* France has pledged FFr9m in aid for the project in 1996, in addition to the FFr4.5m that the Tunis bourse has received this year.

■ Foreign direct investment: by James Whittington

Agency faces formidable task

T…agreeing to free …de with the …ropean Union, …nis expected …ore investment

…eighth and ninth floors of …wer block in the centre of …is have become a hive of …ivity in recent months. …used within the govern…ot's agency for the …motioo of industry, the staff …its two floors have been …arged with the task of more …n tripling the current levels …foreign direct investment.

…The task is formidable and it …easy to understand why the …employees at the Foreign …vestment Promotioo Agency …ipa), which was established …July, tend to run rather …an walk ss they go about …eir daily husiness.

…The government argues that …nless the country can attract …bout $200m of new foreign …irect investment a year in all …ectors with the exception of …nergy, then the free trade deal agreed witb tbe European Union will be detrimental to Tunisia's ecooomy.

More specifically, they say that unless more FDI comes in, the country will not only be unable to finance its current account deficit hut will also have difficulty in ralsing productivity in sectors such as manufscturing which will be newly exposed to international competition.

"We've been told that unless we reacb our target of about $1bn across all sectors, then we've failed," says Mr Sassi Amor, a principal manager of Fipa, rather solemnly.

The dlstance which tbe country needs to travel to achieve these ohjectives is easily seen by the FDI levels of the past few years. In 1994, total FDI declined to $318m compared to tha exceptional year of 1992 when it more than doubled to $397m.

The current distribution of investment is beavily weighted towards oil and gas exploration and development. Last year, energy accounted for 87 per cent of the total, most of which cama from the $600m which British Gas has been spending over the past few years on its gas project at Miskar in tha Gulf of Gabes.

Tourism, financial services, manufacturing and industry between them attracted FDI and portfolio investment of $75m last year, up from $64.7m in 1993. The money came primarily from Europe and particulsrly from France, Belgium, Germany and Italy and it was distributed among many small and medium-sized companies.

> Much bigger projects are needed if targets are to be met

In textiles, for instance, which is the main target for foreign investors in the manufacturing sector, foreign companies own 308 enterprises and have joint ventures with local partners numbering 386. The largest of these is the Lee Cooper Tunisia joint venture which employs 1,550 people and has sales of $120m in denim wear sold to Europe. Until it has received a total of $25m in foreign investment.

At Fipa, the 30 or so investment projects which ware undergoing feasibility studies in October tell tha same story. An American investor is looking for a local partner to manufacture floppy discs in either Tunisia or Salvador. Initial investment will be $5m. A Japanese company is willing to spend $6m to build a factory for the production of Integrated circuits.

The fact that businesses with projects eucb as these are interested in Tunisia ssys much abont the relatively attractive investment climate which already exists in the country. But government officials and the private sector are under no illusion that much bigger projects are needed if the targets are to be met.

Mr Hedi Djilani, president of Tunisia's private sector association and head of Lee Cooper Tunisia, explains that the country needs to adopt a three-pronged strategy to attract more foreign investment: "First, we must increase our international profile because there are still very few foreign companies which think of Tunisia as a place to invest.

"Second, we have to upgrade our hnsinessee and infrastructure so that when people do come here they can work as easily as they would in Europe. And third, we need to start thinking much bigger."

The government is particularly keen to encourage foreign companies, preferahly multinationals, to set up manufacturing sites in Tunisia to serve the European markets.

The reasons why they should come trip off officials' tongues as if learned by rote. The peace and stability of tha country always comes first, followed by a skilled but relatively cheap labour force, and the country'e sound economic performance in the past few years.

Fiscal investment incentives are also attractive. Foreign investors in joint ventures and 100 per cent-owned enterprises can henefit from offshore status if their companies export more than 80 per cent of their output. This entails exemption from taxes, an unconstrained repatriation of profits and capital policy along with a free recruitment policy.

For portfolio investors, e new investment decree, ratified this summer, allows foreign investors to buy up to 10 per cent of companies quoted on the stock exchange without having to obtain prior permission and sets the upper limit for unlisted companies at 30 per cent.

The few expatriate managers already operating in Tunisia generally pay tribute to the relatively easy working environment. Some common gripes, bowever, include the usual difficulties with bureaucracy and government interference – which are normally experienced in s developing country.

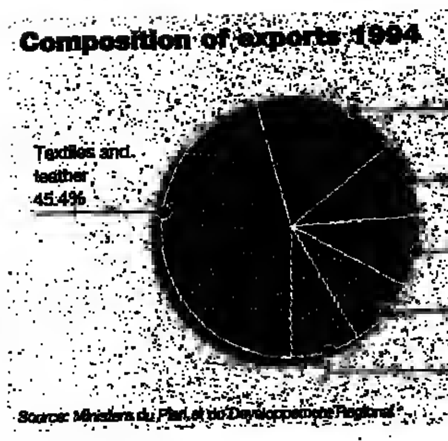
Textilee manufecturers complain of problems with absenteeism – particularly among young women labourers who have to hand over most of their income to the family head – and the relatively higb costs of transport to European markets, especially in air freight. Some potential investors looking in frooi ootside also view possible political disruption from Algeria or Libya as a real risk.

Aside from these mainly operational difflculties, however, the main hindrance to increased attention from the bigger multinationals seems not to be what Tunisia has to offer in the way of its investment climate but the small size of its local market.

With a population of 8.8m, the country faces etiff competition in and around Europe from otber southern Mediterranean countries and eastern Europe which can offer similar investment incentives on top of bigger domestic markets.

Furthermore, while neighbouring Algeria and Libya remain relatively closed or too risky for foreign companies the attraction of a regional North African market is diminished. All in all, therefore, tbe task of advertising tha advantage of investing in Tunisia compared with elsewhere looks likely to remain a hard sell.

Composition of exports 1994



Source: Ministère du Plan et du Développement Régional

PROFILE **Poulina:** by James Whittington and Roula Khalaf

Big chicken mothers its eggs

Ask Mr Abdelwahab Ben Ayed, president of Poulina Group, which came first, the cbicken or the egg, and the response is unequivocal. The chicken, he says, followed by eggs, ice cream, refrigerators, doors, exhanst pipes, furniture and computers.

The 57-year-old Mr Ben Ayed has turned vertical integration into an art form. Tunisia's largest company is a conglomerate, most of whose 100-plus different prodncts originate from an interest in chicken farming which began in 1969. Comprising 35 separate companies with a consolidated turnover of more than $200m and a total staff of 4,000, the group dwarfs its local competitors. It is also regarded within the Tunisian business community as ooe of the country's most dynamic, cootroversial and adventurous groops.

"We are probably the only chicken company in the world that is totally iotegrated," the Poulina president says. The company sells about 5m cbickens a year and was the first to introduce turkey to Tunisians. "We begin with something and never know where we are going to end up," be adds.

"Wheo I started Poulina, I knew the country would oot bave enough protein and that lamb and beef would not be enough to meet the demand," be says. "The government did not see it this way. They thought Tunisians would not eat chicken."

As it turned out, coosumption of chicken went from half a kilo per year per person in the 1970s to almost eight kilos today. When the government saw that Poulina was on to a winner, it offered credit subsidies to chicken farmers. As Mr Ben Ayed could not monopolise the subsidies, he got other people to take advantage of them and start up farms for which he sopplied the products in exchange for selling their produce.

By 1976, the company was close to gaining 100 per cent of the non-state market share. At that point, the government hluntly told Mr Ben Ayed to stop his chicken expansion. "So we introduced turkeys," be says, "and within a few years, we were enjoying 20 per cent annual growth in turkeys." Exports also began to grow. Today, Poulina sells two-thirds of its chickens to neighbouring countries.

The Tunisian government may have liberalised prices and imports, bnt Poulina still faces prodnction quotas. "It is not a free market, otherwise we would take it all," Mr Ben Ayed says.

Poulina's pbenomenal rate of growth – the company claims an average 20 per cent turnover increase a year – is based on its obsessive strategy of vertical integration.

The original objective was to become self-sufficient in the chicken business from breeding the chicks to manufacturing the infrastructure such as cages and providing other inputs such as feed for the hirds. Slaughter houses were developed and a distribution network established in Europe and the Maghreb. For each new operation, semi-independent satellite companies were established around the chickeo operating business. Along with supplying the core business, each of the companies was encouraged to diversify its prodncts for other clients and markets.

POULINA
GROUPE POULINA
25 ANS

The egg business, for instance, which caters both for consumers and for breeders, moved into ice-cream production as e way of utilising the thousands of broken eggs unfit for sale. Thus was created Selja, the Tunisian ice cream brand, which became a separate company. To store the ice cream, Poulina needed refrigerators and so the company launched a refrigerator prodnction unit. Likewise, a recent spin-off from the metal tube and cage manufacturer was the development of locally produced exhaust pipes, called Eureca, which will soon be sold to local and foreign markets.

"We like to encourage ideas," says Mr Ben Ayed. "It belps to motivate the workforce. When someone comes up with a new idea, we offer finance and advice to help build the new company but then we let them get on with it."

Despite its size and influence, bowever, Poulina is not excused from the transformation required of the private sector in the new era of international competition. It is baving to restructure many of its operations and become more transparent and has its eye on listing eventually on the local bourse.

Bnt wbereas many industrialists in Tunisia are quietly wondering bow their companies will survive the abandonment of protectionist barriers and foreign competition, Mr Ben Ayed is totally convinced that Poulina, which be owns jointly with four other Tunisian families, can improve on its strong presence throughout the Maghreb and in the European Union.

The group sells no more than 10 per cent of its total production in Europe (mainly steel tubes and ceramics), but Mr Ben Ayed says he is gearing up to develop products for export to European markets. "I am the first to appiaud the partnership deal with Europe," he claims. "If we want to show our strength, we should do so before others are as strong as we are."

Although Poulina as a group is essentially decentralised, there is a strong corporate culture imbued with incentive schemes and a rigorous assessment programme at all levels. This bas resulted in a tight regime of consensus among the workforce. The success of this approach is such that observers admit to being amazed at the commitment and the number of hours put in by Poulina employees, even though wages do not differ much from other companies.

Despite Poulina's impressive record so far, however, its transformation from a typically Tunisian complex web of companies to a diversified but well-structured conglomerate will not be plain sailing. The group has already been penalised for its lack of transparency and has run into trouble with the government over its social security commitments. The chicken business – which ties up about 50 per cent of the local market – was last year the first case to be investigated under Tunisia's anti-trust laws, although no action was taken against the group. Its problems, bowever, are compounded by the government's restrictions against holding companies.

Although Mr Ben Ayed and his staff of about 120 at Poulina's headquarters oversee and manage the group as a whole, the cross-holdings and inter-group business make consolidation of the figures and equity structure extremely complicated. In preparation for a place on the local stock market next year, the group plans to list an investment fund which will have holdings in its 35 companies. Mr Ben Ayed says this will give the group ready access to finance at a cheaper rate than bank loans.

But, like most of Tunisia's private sector, Mr Ben Ayed says he is reluctant to dilnte the Poulina families' controlling stakes. Thus, for now at least, Tunisia's biggest corporate chicken will continue to mother its own eggs.

■ Textiles: by James Whittington

Shape of things to come

The country's leading export industry needs to modernise and curb labour costs

The textiles and clothing industry is Tunisia's etar performer in the manufacturing sector. On the back of growing demand from Europe, exports grew by 25 per cent from TD1.64bn in 1993 to TD2.03bn last year. Industry sources say there is similar growth in 1995.

After a long period of sustained and rapid expansion, the industry ls already Tunisia's largest employer – with 222,000 workers – and its leading eource of export revenue, contribnting 45 per cent of export receipts last year. Moreover, it is widely considered to have the greatest potential for development as Tunisia opens its doors to international competition.

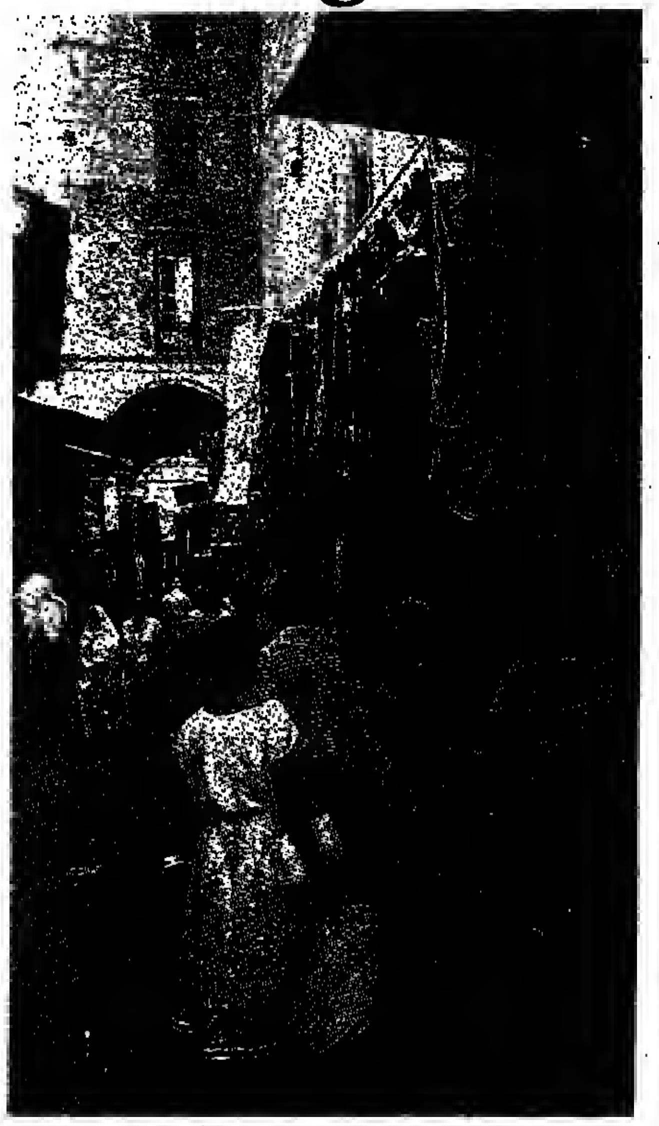
> Trousers and T-shirts apart, garments enjoy free access

To meet such bigh expectations, many textiles and clothing manufacturers, like the rest of Tunisia's private sector, are looking at wbat needs to be done to upgrade and modernise their businesses to improve efficiency and widen markets.

The free trade agreement with Europe will not directly affect trading volumes of Tunisian textiles and garments – tbey already enjoy free access apart from quotas on trousers and T-shirts which have been left for negotiation in 2000 – but it is acting as a catalyst for change.

Like the rest of the private sector, the Tunisian textile and clothing industry is characterised hy a predominance of small and medium-sized companies, most of which rely on a single market or client. Its rapid growth is partly due to the influx of European investors coming to Tunisia to cut, make and trim garments for their home markets.

Out of 2,015 enterprises in the eector – most of which employ fewer than 100 people – 1,331 are export-orientated, of which 29 per cent are joint ventures and 23 per cent are 100 per cent foreign-owned.



Cloth on sale in e Tunis market

Most of the Tunisian-owned enterprises are in dire need of development capital to upgrade machinery and develop new products. For those companies which have bought technology with foreign investment, the main problems are supply side constraints and decreasing productivity.

Local textile manufacturers say that one of the main threats to Tunisia's competitiveness is their escalating wage bill. The powerful Union Generale des Travailleurs Tunisien (UGTT) has been successful in recent years in negotiating minimum salary increases of between 5 and 7 per cent a year in most sectors. The Tunisian minimum wage of $130 a month is almost on a par with Portugal, twice that of Morocco and about six times the rate in Egypt.

According to a study prepared by Mr Moncef Tourki, a former head of the National Syndicate for Textile Exporters, high salaries and social security charges mean that an average Tunisian textile worker'e cost per hour is $2.82 compared with $1.28 in Morocco and between 96 cents and $1.25 in east European countries. He says that this plus a high level of absenteeism and lack of motivation, especially among young women who normally have to hand over most of their income to the head of their family rather than keeping it themselves, is damaging productivity.

Manufacturers also complain that Tunisia's geographical proximity to European markets is being undermined by high transport costs. Quick reaction time for new orders is hampered by the high cost of air freight to European markets and bottlenecks at Tunisia's main ports. One French textile exporter with factories in Tunis has claimed that it is sometimes quicker to get garments from his Chinese factories in Guangdong than Tunis.

The supply of raw materials by local textile and accessories manufacturers also leaves much to be desired. Companies exploring the local market frequently complain about the unavailability of certain materials and inadequate quality for their export markets. As a result, more than 75 per cent of wbolly exporting companies use materials supplied by their foreign parents, which limits the scope of value added and contributes to the decreasing profit margins. Some textile manufacturers complain that because of a squeeze in margins, the high turnover growth is occurring at the expense of profits.

The answer, according to Mr Ziad Oueslati of TunInvest, which offers capital and advice to local companies seeking to upgrade and expand their businesses, is more specialisation of the product. "To be competitive and profitable, producers should be looking to find niche markets whicb utilise tbe country'e buman resources, rather than rely on bulk assembiy production," he argues.

> Young women have to hand over most of their income

This requires more finance and training. The textiles sector is a primary candidate for the government's strategy of trying to use the European trade agreement to attract more foreign direct investment. But the Centre Technique dn Textiles (Cettex), the industry's own association, also believes that more ehould be done to help develop and promote Tunisia's international brands. Among tbe many services offered by Cettex are programmes to improve training and work skills in all textile areas, including fashion and design.

"The industry's challenge is not just to produce European clothes for export but Tunisian ones. This will be the real leap from being a developing sector to a developed one," says Ms Dalila Ben Yahia-Abdelfattah, an economist at Cettex.

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■ **Tourism:** by James Whittington

More spice needed at night

Despite a record number of visitors, the authorities are worried that European figures are falling

in the 1940s. wheo jazz trumpeter Dizzy Gillespie wrote the he-hop tune "A Night in Tunisia", few people had any idea where this exotic-sounding place was. Fifty years later, one might have thought this would have changed. But wheo Tunisia's ambassador to the Uoited Nations recently came across some traditional Tunisian handicrafts while shopping in New York, he decided to test the merchant on where they were from: "Somewhere in Africa. In a place that no longer exists," came the answer.

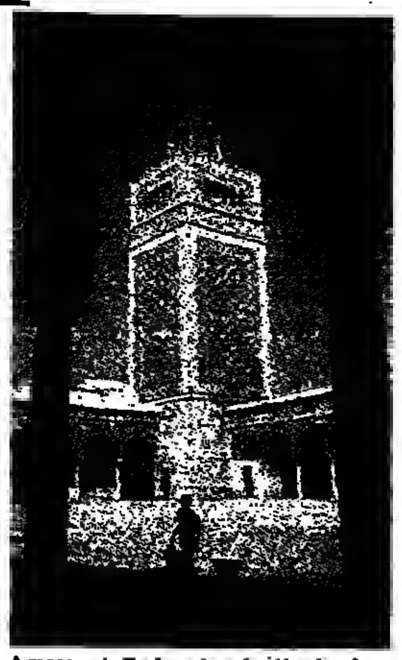
Despite playing host to a record 3.85m visitors last year Tunisia's tourist euthorities think that the country still suffers from an image problem. "We feel that the outside world has the wrong image of Tunisia. People either don't know us or we're known as just another package holiday. In fsct we offer much, much more," seye Mr Wahid Ibrahim, director-general of the national office of tourism.

Certainly anyone with s healthy sense of adventure, and a hit of imagination, should be ahle to look beyond the rather bland clichés of sun, sea and sand epitomised by Jerba and Hammamet. For the independent-minded traveller, sub-Saharan oases and fortresses, medieval Islamic cities and some of the world's finest surviving Romao sites are all on offer. The problem is that they remain e rather well-kept Tunisian secret.

After enjoying a healthy rebound in the number of visitors to Tunisia since the Arab world's tourism business was rocked by the Gulf War in 1991, the euthorities are looking at how to maintain the sector's expansloo. Although tourism cootributes between only 5 and 6 per cent of Tunisia's GDP, it is a crucial source of employmeot and represeots some 20 per cent of hard currency earnings.

The latest batch of tourism indicators have increased the urgency of tackling existing problems. Over the first nine months of 1995, although the number of entries into Tunisia was up 5 per cent to 3.19m visitors, the more important figure of the oumber of nights stayed dropped by 5 per cent. As a result, revenues remained flat at TD982.7m.

While such figures would be gladly welcomed by many countries of the same size, the Tunisians are concerned by this year's decline in visitors from the core European markets of France, Germany, the UK and Italy. The


A mosque in Tunis: solace for Algerians?

number of British visitors, for instance, was down by more than 7.5 per cent to 164,000 from January to August, while French visitors were 6 per cent down at 343,500.

The overall increase in the level of visitors was dne to a 50 per cent rise in Algerians seeking solace from their country's problems. Over the eight-month period from January to August this year e total of 666,382 Algerians crossed the common border. On average, visitors stayed for 6.2 nights which left occupancy rates little changed at around 52 per cent.

The fall in European visitors is blamed on increased regional competition for cheap package holidays from other Mediterranean resorts such as Greece, Italy and Spain. Although Tunisia has been quite successful in developing this market – its share amoog Mediterranean countries has doubled from 1 per cent to 2 per cent today over the past decade – its penetration rate for iodividoal countries hoying holidays overseas remains very low.

As a result of these figures, the ministry of tourism has called for a new plan to reaffirm Tunisia's position on the map. Its objectives are: first to prevent this year's dip in European visitors from developing into a trend, and second to diversify the sector's product to attract the higher-spending end of the market.

Mr Ibrahim says the plan will entail a more aggressive marketing campaign aimed primarily at Tunisia's core markets. To finance this, a fund has been set up into which hotels, travel agents, airlines and associated services will contribute a special tax. The extra revenue is expected to double the government's annual budget for marketing to $25m. In tandem with a well-targeted media campaign, the minister of tourism will lead a series of delegations to drum up more business in some of Tunisia's traditional markets.

Travel agents and advertisers will be told to give more ettention to activities such as sailing, golf, safaris, diving, and of course, Tunisia's rich landscapes, archaeological and cultural sites. One tour operator argues that diversification of the sector will encourage tourists to spend more than if they were lying on a beach. "We have to show that we have more to offer than just beds," he says.

For enthusiasts of the ruins, for instance the legendary and much battered Carthage – site of the tragic love story of Dido and Aeneas – the towering 30,000-seater amphitheatre at El Jem and the remarkably well-preserved Roman city at Dougga are at least as impressive as their more famous counterparts in Greece and Italy.

Ironically, part of the attraction of these sites is the fact that the government has yet to develop suitable

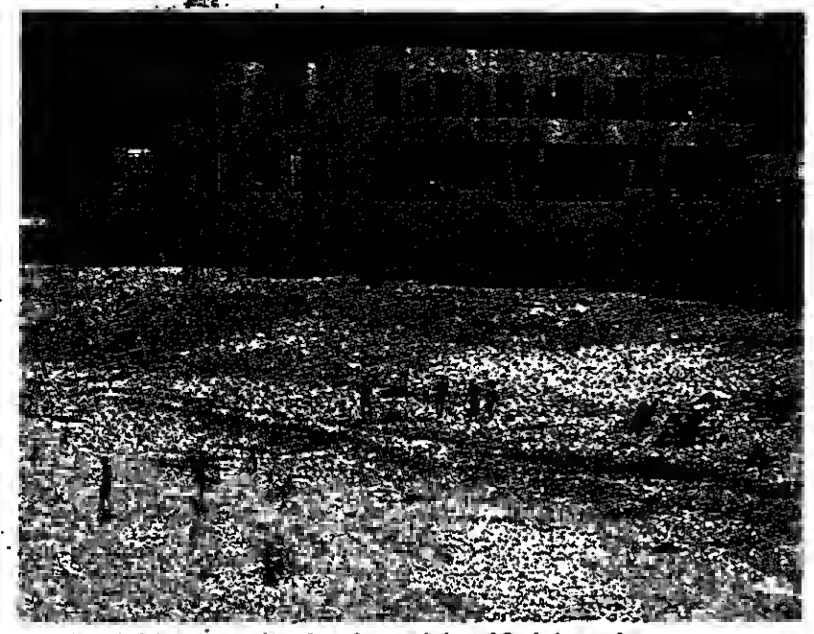
> Encouraging tourists to spend more than if they were just lying on a beach

infrastructure around them for mass tourism, such as better roads, parking and rest areas. Often tourists find the plsces deserted. Less off the beaten track are the strange underground Berber houses at Matmata – as seen in Star Wars – and the exotic oases at Nefta and Tozeur.

Together with treks into the mountains and desert in the south, there is actually plenty to do in daylight hours. For those looking for an adventurous night life, however, Tunisia might disappoint. Although the government has sanctiooed a programme of casino-building to add to the two in Hamamet and Sousse, and despite the exotic connotations of Mr Gillespie's tune, a night in Tunisia can be rather dull.

Good theatres and cinemas are few and far between, as are lively night clubs, bars or cabarets. The authorities admit that Tunisians have so far been unadventurous in creating things to do after hours. "We are aware of this problem but as a matter of tradition Tunisians like to stay at home with their families," Mr Ibrahim explains. To remedy the situetion a special commission on nightlife in Tunisia has been set up which includes the ministers of tourism and interior.

Whether or not such measures help continue the expansion of the tourism sector remains to be seen. Judging by the amount of constructioo of new luxury hotels and resorts going on, however, the private sector certainly hopes so.


In package holidays, competition from Greece, Italy and Spain is growing

■ **The private sector:** by James Whittington

Trading pact is a risk

Tunisia's private sector has been waiting with almost bated breath for this week's Euro-Mediterranean confereoce which opens today in Barcelona.

The Tunisian delegation will be in the distinguished position at the summit of having been the first country to sign up to the partnership which aims to create a new and vast trading bloc around the Mediterranean basin.

Unlike Morocco which has fought tooth and nail over fishing rights and agriculture, the Tunisians signed their agreement on July 17 after remarkably little domestic debate. This has left the largely-protected private sector feeling slightly uncomfortable ahout what they have let themselves in for.

With the majority of Tunisian companies in desperate need of restructuring if they are to compete after the lowering of trade barriers, most are hoping that they will benefit from the substantial pot of money which has been put to one side to help finance the plan. At the Cannes summit in June an allocation of Ecu4.65bn was approved for 1996-2000, excluding loans provided by the European Investment Bank, which is an increase of about 25 per cent.

Many in the private sector are particularly anxious to see how they will be rewarded from the first-come, first-served allocation basis for the funds.

Mr Hedi Djilani, president of the Union Tunisienne de L'Industrie, du Commerce et de L'Artisanat, believes the country has taken a big risk in accepting the challenge to be the first to sign the partnership agreement. He is concerned that unless European funds are quickly made available to the private sector to modernise their operations, then the decision will prove to be a mistake.

"The meeting in Barcelona will be the moment of truth as we will see exactly what is the attitude of the Europeans," he says. "We need a definite and sizeable commitment that they will help us in the challenge to upgrade our private eoterprises. If we don't get this, what could be a beautiful adventure could become a difficult and dangerous one," be continues.

The scale of the challenge facing Tunisia's private sector was highlighted by a recent study for the government, which predicted that at least a third of Tunisie's industry would go to the wall without financial assistance. It estimated that, without eny industrial modernisation, as many as 2,000 local companies would go bankrupt and the continued viability of another 2,000 would be questionable. "These figures are conservative," says Mr Djilani.

Efforts are elready under way to take up the challenge of the partnership agreement. Local hodies such as the Fonds de Promotion & de Maitrise da la Technologie Industrielle and the Fonds pour le Developpement de la Competitivite Industrielle have been set up to help local companies modernise their busioess systems and technology.

Meanwhile, the government has launched a programme of mise à niveau to help improve the internatiooal competitiveoess of 4,000 companies. These will be diagnosed by local and foreign consultants.

Local iovestment firms soch as International Maghreb Merchant Bank are lining up to help companies edjust by offering them advice and channeling domestic and foreign funds into the privste sector. Founded last year hy four Algerians and Tunisian businessmen, including the former Algerian central bank governor, IM Bank's shareholders include the International Finance Corporation and Societe Marseillaise de Credit and its merchant banking vehicle, GP Banque.

Tunis' first merchant bank, IMBank will soon be managing the Tunisian side of a Middle East and North Africa Irish-listed fund to be set up with other partners. According to Mr Adel Dajani, co-founder of IMBank, the fund will take stakes in highly leveraged companies and prepare them for a listing on the stock exchange. "We want to act as a conduit betweeo sources of financing and the Maghreb," says Mr Dajani.

Even if financing becomes available to meet its needs, however, the private sector is under no illusion that some companies will go bankrupt. Mr Tarak Cherif, who has a manufacturing group which assembles household goods under licence – such as washing machines and refrigerators – says that his products will gradually be replaced by imports as tariffs are lowered.

"It will be impossible to compete on quality with the same European-mede products," he says. Since the business is so capital-intensive it will not benefit fully from the cheaper Tunisian labour. To stay alive, he says, his group needs to refocus its activities oo e smaller range of niche products.

One compeny which bas already found such a product is Les Ateliers Mecaniques Indnstriele (AMI), wbich makes metal hinges for doors and cupboerds. Mr Abid Ahmad, president of the company, has recently signed a contract with a French hardware compeoy, which has found it a greater advantage to import the hinges from Tunisia and use them in its own products. Mr Aziz Mebarek of TunInvest, a local venture capitalist that has taken a stake in AMI, says that this type of business partnership is what the country needs for the EU association deal to be beneficial to Tunisle.

Aloog with upgrading operations, Tunisia's young financial community is hoping that the mise à niveau programme will also encourage companies to standardise their accounting and reporting practices and become more transperent. This is essential for the development of the capital market, to which an increasing number of compenies will have to turn to raise funds. "There is a dangerous perceptioo that the EU will provide a free lunch," says ooe local consultant. "After Barcelona I think most people will discover that we have to rely on our own resources to survive."